ASX Announcement

30 September 2016

Wellard releases audited FY2016 financial results

Wellard Ltd (**Wellard**) (ASX:WLD) has released its audited financial results for the year ended 30 June 2016 (**FY2016**).

The audited accounts confirm a pro forma* Net Profit After Tax of $14.8 million and Gross Profit of $88.9 million, the same financial results contained in the Company's preliminary final report which was released on 31 August 2016.

*Pro forma FY2016 excludes all one-off IPO related costs, normalisation of interest expenses to reflect post IPO capital structure, and tax expense increase to reflect the appropriate company tax rate after removal of one-off IPO related costs.

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Wellard Limited

ABN 53 607 708 190

and subsidiaries

Annual Financial Report 2016

CORPORATE DIRECTORY

Directors	David Griffiths - Non-Executive Chairman Mauro Balzarini - Managing Director and Chief Executive Officer Phillip Clausius - Non-Executive Director Greg Wheeler - Non Executive Director
Company Secretary and General Counsel	Yasmin Broughton
Registered Office and Principal Place of Business	1A Pakenham Street Fremantle WA 6160 Telephone: (08) 9432 2800 Facsimile: (08) 9432 2880 Website: www.wellard.com.au
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DIRECTORS REPORT

The directors present their report together with the financial report of Wellard Limited (**Wellard** or **Company**) and the entities it controlled during the financial year ended 30 June 2016 (**Wellard Group** or **Group** or **Consolidated Group**), for the financial year ended 30 June 2016 **(FY 2016)** and the auditor's report thereon.

1. BACKGROUND

During the year, a restructure took place in preparation for the listing of the Wellard Group on the ASX. This resulted in a newly incorporated company, Wellard Limited, raising equity on the ASX to fund the purchase of several entities within the WGH Holdings Pty Ltd (**WGH**) (previously Wellard Group Holdings Pty Ltd) business that have previously operated together as a business. This Initial Public Offering (**IPO**) was completed and Wellard was admitted to the Official list of ASX Limited on 10 December 2015. The IPO Prospectus was dated 20 November 2015 (**Prospectus**). The IPO raised $298.9 million through the issuance of 215 million new fully paid ordinary shares in Wellard at an offer price of $1.39 per share.

2. DIRECTORS

The directors of the Company at any time during or since the end of the financial year were:

David Griffiths
Non-Executive Chairman
B.Ec (Hons)(UWA), M.Ec (ANU), D. Ec.(Hon), FAICD

David joined the Board and was appointed Non-Executive Chairman of Wellard on 19 November 2015. David is also a Non-Executive Director and Chairman of Automotive Holdings Group Limited. He also holds the position as Deputy Chairman of the Perth contemporary dance company Co3. He was Deputy Chairman of Think Smart Limited until August 2016.

David has held a range of senior financial executive positions and has extensive experience in equity capital markets, mergers and acquisitions, and the corporate advisory sector. He is a former Divisional Director of Macquarie Bank Limited and Executive Chairman of Porter Western Limited.

Mauro Balzarini
Managing Director and CEO

Mauro was appointed a Director of Wellard on 10 September 2015 and CEO on 19 November 2015. However, Mauro has been the CEO of WGH, the company that owned the Wellard business prior to its transfer to Wellard, since May 2004.

Mauro joined the family business in 1985 as a marine technical superintendent. He moved to an executive role and took over the management of the shipping arm in 1994. Mauro bought out the family interest in 2004 and has grown the Wellard business into the largest marketer and exporter of cattle in Australia and a significant seaborne livestock exporter globally.

Mauro was a founding member of the Trade and Investment Policy Advisory Council, chaired by the Minister for Trade and Investment.

Greg Wheeler
Non-Executive Director
BBus, ACA

Greg was appointed a Director and Company Secretary of Wellard on 10 September 2015 and Chief Financial Officer on 19 November 2015. Greg resigned as Company Secretary on 9 February 2016 and on 11 July 2016 he changed role to that of Non-Executive Director and stood down as Chief Financial Officer.

Prior to joining the Wellard business in 2011, Greg served as the Group Financial Controller for Austal Limited and has previously worked for PricewaterhouseCoopers and Westpac Bank.

Sharon Warburton
Non-Executive Director
CA, GAICD

Sharon was appointed as a Non-Executive Director of Wellard on 19 November 2015 and resigned on 26 August 2016.

Philip Clausius
Non-Executive Director
BA (Hons) Business Administration

Philip was appointed as a Non-Executive Director of Wellard on 19 November 2015. Philip is the founder and Managing Partner of Transport Capital Pte Ltd. He currently serves as Director and CEO of Nordic Shipholding A/S, a company listed on the Nasdaq OMX. Philip is also a Non-Executive Director of BW Pacific and a member of the Advisory Panel of the Singapore Maritime Foundation.

He was previously the co-founder and CEO of the FSL Group, a Singapore-based provider of leasing services to the international shipping industry.

Ennio Tavani

Non-Executive Director

Mr Tavani was appointed as a Director of Wellard on 10 September 2015 and resigned on 19 November 2015.

3. COMPANY SECRETARY

The directors of the Company at any time during or since the end of the financial year were:

Greg Wheeler

Greg was appointed a Director and Company Secretary of Wellard on 10 September 2015. Greg resigned as Company Secretary on 9 February 2016.

Yasmin Broughton
Group General Counsel and Company Secretary

Ms Broughton was appointed Company Secretary and General Counsel on 9 February 2016 and resigned on 26 August 2016. Ms Broughton will remain as Company Secretary and General Counsel until the earlier of 26 November 2016 and the appointment of her replacement.

4. PRINCIPAL ACTIVITIES

The Wellard Group is an agribusiness that connects primary producers of cattle, sheep and other livestock to customers globally through a vertically integrated supply chain.

The Wellard Group is a trader and exporter of live cattle from Australia, New Zealand and South America and a supplier of seaborne transportation for livestock globally. The Wellard Group is also an exporter of live sheep and meat from Australia. Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, Brazil and Uruguay) and sells livestock and meat to customer markets where demand exceeds local production (including Indonesia, Vietnam, the Middle East, Turkey and China). Occasionally, Wellard charters its ships to third parties and earns freight income by carrying live animals on their behalf.

To support its operations, the Wellard Group owns or controls critical and specialist infrastructure at various stages of its supply chain including strategically located pre-export quarantine facilities, an abattoir, a feed mill and a fleet of purpose-built livestock transport vessels.

5. RESULTS

The statutory operating loss after tax of the Wellard Group for the financial year was $23.3 million (2015: $0.2 million).

The Pro Forma Net Profit after Tax (**NPAT**) for the financial year was $14.8 million – refer to section 6.2 below for further details.

6. OPERATING AND FINANCIAL REVIEW

6.1. OPERATIONAL OVERVIEW

Highlights

- Continue to be the No. 1 exporter of cattle from Australia with market leading positions in Indonesia and Vietnam;
- Expanded sourcing operations in South America;
- Grew new customer markets in Turkey, Egypt and Israel;
- Took delivery of a fifth livestock vessel, the M/V Ocean Shearer, in April 2016;
- Strong focus on animal welfare and traceability highlighted in recent Vietnam control and traceability audits and approved arrangements; and
- Remained profitabile with strategy development in difficult market conditions.

In FY 2016 the Wellard Group shipped:

- 424,972 head of slaughter, feeder and breeder cattle to customers in 9 countries;
- 23,204 head of sheep to customers in 3 countries; and
- 6,600 tonnes of sheep meat to customers in more than 12 countries.

In FY 2016 the Wellard Group:

- purchased 365,771 head of cattle and 23,204 head of sheep for live export;
- purchased 361,087 head of sheep and processed them through its processing facility Beaufort River Meats; and
- loaded and discharged 59 shipments of livestock.

Sales revenue increased 12% year-on-year in FY 2016 due mainly to higher volumes of cattle exported out of the Wellard Group's supply bases in Australia and South America and due to the depreciation in the Australian dollar against the United States dollar.

Supply

Unprecedented wet winter weather in northern Australia and consequently strong re-stocking by farmers have resulted in a significant tightening of supply of Australian cattle and prices reaching record highs. In light of these challenges Wellard has accelerated the expansion of South America as a secondary and larger supply base for exporting cattle from Brazil and Uruguay, significantly increasing the number of cattle exported from the region.

Infrastructure

Wellard's ability to service the increased demand for cattle highlights the mobile nature of its assets which can be deployed to supply areas where demand is highest and margin greatest. In FY 2016 Wellard increased its suite of livestock infrastructure assets taking delivery of a fifth vessel, the MV Ocean Shearer, in April 2016. Wellard also commenced construction of a sixth custom build livestock carrying vessel, the MV Ocean Kelpie, which has a scheduled completion date in the March quarter of 2018. Additionally, Wellard acquired parcels of land in Livingston, Northern Territory, and Condah, Victoria on which it plans to develop its own pre export quarantine facilities within the vicinity of the key Darwin and Portland ports.

Growing Trade & Processing

Wellard continues to offer high quality sheep meat processed at its Beaufort River Meats abattoir facility.

As part of the strategy to grow downstream, Wellard continues to explore new market opportunities and recently Wellard established a downstream business in Turkey for fattening imported cattle and signed on new customers in, Egypt, Israel and Jordan as it seeks to continually diversify its global customer base.

Animal Welfare

Wellard continues to support the positive impact from the Australian Governments' Export Supply Chain Assurance System (**ESCAS**) and has been working with customers to ensure their supply chains are robust and meet the required animal welfare standards. Importantly, many customers are witnessing positive results, such as improved efficiency, OH&S and meat eating quality, from working with Wellard's leading Traceability System.

Environmental Health and Safety (EH&S)

Wellard places a high priority on a workplace free of accidents and injury. Wellard maintains EH&S procedures that are intended to ensure employee's health and safety. Wellard aims to create uniformity across its operations, have site and vessel specific policies and procedures that seek to achieve the best:

- Lost time injury frequency rate (**LTIFR**);
- Claims for compensation (cost and frequency); and
- Results of a range of internal auditing and practical inspections.

6.2. FINANCIAL OVERVIEW

Profit and Loss Statement

The Prospectus contained financial forecasts. Set out below is a comparison of the Statutory Net Profit after Tax (**NPAT**) to the Prospectus Forecast Statutory NPAT for FY 2016:

	Statutory A$ million	Prospectus Forecast Statutory A$ million	Variance A$ million
Revenue	573.8	607.4	(33.6)
Cost of Sales	(484.9)	(494.0)	9.1
Gross Margin	**88.9**	**113.4**	**(24.5)**
Other gains/(losses)	(1.4)	-	(1.4)
Labour expenses and share based payments	(37.6)	(32.9)	(4.7)
Repairs and maintenance	(15.2)	(3.5)	(11.7)
Administration and other expenses	(31.0)	(34.4)	3.4
EBITDA	**3.7**	**42.6**	**(38.9)**
Depreciation and amortisation	(20.8)	(18.6)	(2.2)
EBIT	**(17.1)**	**24.0**	**(41.1)**
Net Interest expense	(13.7)	(12.7)	(1.0)
Net profit/(loss) before tax	**(30.8)**	**11.3**	**(42.1)**
Income tax benefit/(expense)	7.5	(2.3)	9.8
Net profit/(loss) after tax	**(23.3)**	**9.0**	**(32.3)**

The Gross Margin is below the Prospectus Forecast Gross Margin by $24.5 million due primarily to:

- Unprecedented wet winter weather in northern Australia and consequently strong re-stocking by farmers resulted in a significant tightening of supply of Australian cattle with prices reaching record highs in the second half of FY 2016. This combined with a reluctance from traditional South East Asian customers to accept substantial price increases significantly impacted revenue and gross margin. The impact was approximately $16.3 million;
- Actual sales volume below Prospectus forecast reduced Gross Margin by approximately $11.7 million with approximately $10.0 million due to the delay in commissioning of the MV Ocean Shearer and the impact of the twin crankshaft failures on the MV Ocean Swagman and MV Ocean Outback in FY 2016; and
- Depreciation in the Australian dollar against the United States dollar had a positive impact of approximately $3.1 million.

The Other gains/(losses) is made up of:

- Net foreign exchange losses of $6.6 million;
- Fair value gains on financial assets of $1.4 million; and
- Net gain from change in fair value of biological assets of $3.8 million.

The Labour expenses and share based payments is above the Prospectus Forecast Labour expenses and share based payments by $4.7 million due primarily to:

- $0.6 million payroll tax on the share based payment not included in the Prospectus figure; and
- $4.0 million increase in labour costs due to a higher headcount for Brazil, Singapore and Perth.

The Repairs and Maintenance expenses is above the Prospectus Forecast Repairs and Maintenance by $11.7 million due primarily to:

- $7.7 million for repairs arising from the twin crankshaft failures on the MV Ocean Swagman and MV Ocean Outback in FY 2016. This further impacted overall profitability by requiring the use of external vessels for several months to replace lost capacity, although both vessels successfully returned to normal operating capability in the final quarter of FY 2016. An insurance claim (excluding deductibles) has been submitted to the insurer; and
- Other repairs and maintenance on the vessel fleet above forecast by $4.0 million due to the inclusion of expenses that would otherwise have been treated as operating expenses in cost of sales and bringing forward scheduled maintenance to better fit within the vessel's port stoppage schedule.

The Administration and Other expenses is below the Prospectus Forecast Administration and Other expenses by $ 3.4 million due primarily to:

- Unrealised/realised foreign exchange impact of $ 0.4 million; and
- General reductions in admin expenses, consultants and lower IPO costs of approximately $3.0 million.

The Depreciation and amortisation is above the Prospectus Forecast Depreciation and amortisation by $2.2 million due primarily to:

- Foreign exchange impact on depreciation of $0.6 million; and
- Impairment of goodwill of $1.6 million.

The Net Interest expense is above the Prospectus Forecast Net Interest expense by $1.0 million due primarily to:

- Foreign exchange impact on interest expense of $0.4 million; and
- Increased interest cost of $0.6 million arising from earlier than forecast drawdown on debt facilities.

In the Prospectus, Wellard disclosed a number of abnormal and extraordinary items in its reconciliation of forecast Statutory to Pro forma NPAT for FY 2016. The Pro forma NPAT is non-IFRS. Set out below is a comparison of the Statutory NPAT to the Pro forma NPAT for FY 2016 for the Wellard Group:

	Statutory (Audited) A$ million	Adjustments A$ million	Pro forma (Unaudited) A$ million
Revenue	573.8	-	573.8
Cost of Sales	(484.9)	-	(484.9)
Gross Margin	**88.9**	**-**	**88.9**
Other gains/(losses)	(1.4)	-	(1.4)
Labour expenses and share based payments	(37.6)	18.7	(18.9)
Repairs and maintenance	(15.2)	-	(15.2)
Administration and other expenses	(31.0)	16.3	(14.7)
EBITDA	**3.7**	35.0	**38.7**
Depreciation and amortisation	(20.8)	-	(20.8)
EBIT	**(17.1)**	**35.0**	**17.9**
Net Interest expense	(13.7)	7.6	(6.1)
Net profit/(loss) before tax	**(30.8)**	**42.6**	**11.8**
Income tax benefit/(expense)	7.5	(4.5)	3.0
Net profit/(loss) after tax	**(23.3)**	**38.1**	**14.8**

Set out below are the pro forma adjustments incorporated in the reconciliation of Statutory NPAT to the Pro forma NPAT for FY 2016 for the Wellard Group:

	A$ million	Description
Statutory NPAT	**(23.3)**	
Share based payments	18.7	One-off share issue by WGH at IPO and associated taxes to management
IPO transaction costs	8.1	One-off IPO listing costs
Debt restructuring costs	1.9	Write-off for previously recognised debt established costs due to subsequent restructuring activities undertaken in connection with the IPO
Realised FX losses on debt restructuring	6.1	Realised foreign currency losses on debt restructuring activities undertaken in connection with the IPO
Stamp duty	0.2	Stamp duty incurred on sale of subsidiaries in connection with restructuring activities as part of the IPO
Interest expense	7.6	Adjustment to reflect the net interest expense reflecting the post IPO debt profile
Tax expense	(4.5)	The net tax effect of the Pro forma adjustments
Pro forma adjustments	**38.1**	
Pro forma NPAT	**14.8**	

Balance Sheet

At 30 June 2016 Wellard had breached an undertaking in the working capital facility but has obtained a waiver and extension to the remedy period to 14 October 2016 before it will become an event of default. Notwithstanding that the Wellard Group was not in default with any debt facility at 30 June 2016 and no cross defaults have occurred, the application of AASB 101 to the working capital breach has meant a reclassification of borrowings of $168.9 million from non-current to current liabilities which results in a working capital deficiency of $110.3 million.

The existing working capital facility was established when the Wellard operations were primarily focussed on sourcing cattle from Australia. With the increased cattle prices and reduced supply in Australia, Wellard has reduced its business in Australia and increased its business in South America. As a consequence, the working capital facility currently in place is of limited use for the South American operations as it only provides limited financial support to the South American operations. Wellard is currently seeking to establish a new working capital facility for its South American operations and to amend the existing working capital facility to improve its workability for its existing operations.

As a result of these matters the independent auditor's report refers to a material uncertainty regarding continuation of the Group as a going concern. For further information, refer to the going concern disclosure in Note 1(c) of the financial statements together with the auditor's report.

Working capital includes a receivable from WGH of $15.8 million which arose from the separation of Wellard and its subsidiaries from WGH at the IPO. Wellard and WGH entered into a Deferred Payment Deed whereby WGH had agreed to repay the amount owing by the end of September 2016. Refer to Events Occurring after the Reporting Period set out in section 12 of the Directors' Report for further details relating to the payment of this amount on 21 September 2016.

Borrowings

Set out below is a summary of the net debt position at 30 June 2016:

	$ million
Borrowings	203.5
Less: Cash and cash equivalents	(31.9)
Net Debt	**171.6**
Net debt/(Net debt + equity)	48%

Included in total borrowings of $203.5 million is the new debt facility for MV Ocean Shearer of $79 million (U$59 million) which was finalised in the June quarter of FY 2016.

Net debt at 30 June 2016 was $171.6 million, a reduction from the previous period end of $235.6 million as a result of debt restructuring activities undertaken as part of the IPO but offset by the new debt facility for MV Ocean Shearer.

Refer to note 7 for further details about Borrowings.

Cash Flow – IPO Proceeds

The IPO was completed on 10 December 2015 and raised $298.9 million. These funds were utilised by Wellard as follows:

- purchase IPO subsidiaries from WGH for $188.8 million;
- repay debt of $70 million;
- pay JLA fees for the IPO of $8.8 million; and
- working capital of $31.3 million.

6.3. MATERIAL BUSINESS RISKS

Wellard is subject to risk factors that are both:

- specific to its business activities, including risks associated with its marketing and export activities, political and regulatory risks and operational and financing risks; and
- of a more general nature, applicable to many listed companies and to the ownership of shares.

The material business risks faced by the Wellard Group that are likely to have an effect on the prospects of the Wellard Group are set out in the Prospectus. A copy of this Prospectus dated 20 November 2015 is available on the Company's website.

Each of the risks set out in the Prospectus could, in isolation or in combination, if they eventuate, have a material adverse impact on Wellard's business, results of operations, financial condition, financial performance, prospects and share price. The selection of risks in the Prospectus was based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment was based on the knowledge of the Directors as at the Prospectus date, but there is no guarantee or assurance that the importance of risks will not change or other risks will not emerge. The risks set out in the Prospectus do not purport to list every risk that may be associated with an investment in Wellard shares now or in the future, and that the occurrence or consequences of some of the risks described in the Prospectus are partially or completely outside the control of Wellard, its Directors and management.

6.4. OUTLOOK

Wellard expects that the tight supply conditions that exist in the Australian market will persist throughout most of FY 2017 but will ease in the following year as a return to normal weather conditions and the maturing of the herd rebuilding increases the supply of cattle and puts downward pressure on the record prices in Australia. This should allow Wellard to improve its volumes and margins towards the levels it would normally expect from this trade.

In the meantime, Wellard has successfully redeployed its assets to significantly increase its volumes from the South American market to new and existing clients in the middle east. The increase in this trade has led to some financial challenges as the longer stock retention cycle for these longer quarantine and shipping cycles requires more working capital and the existing working capital facility it holds is not suitable to finance this trade. Wellard is working to find a new facility that can better finance this trade. While it is confident it will do so, the growth in this important new trade may be constrained until this has been achieved.

Overall the demand for protein, and particularly for red meat remains strong and is expected to increase over time in all the areas where Wellard operates.

During FY 2017 Wellard expects to shortly re-commence supplying Sri Lanka with Australian dairy cattle under a contract with the Sri Lankan government. Wellard also expects to see the expansion of sourcing markets in South and Central America into South East Asia once the appropriate trade protocols are established and the commencement of maritime export of live cattle for slaughter to China as the local importing facilities are being finished and certified for Australian cattle, including animal welfare requirements of ESCAS. This will have a positive effect on the supply and demand balance and hopefully re-establish good margins.

During FY 2016 Wellard increased its shipping capacity by taking delivery of a fifth vessel, the MV Ocean Shearer, in May 2016. Wellard also commenced construction of a sixth custom build livestock carrying vessel, the MV Ocean Kelpie, which is scheduled for completion in the third quarter of 2018. In addition, Wellard acquired parcels of land in Livingston, Northern Territory, and Condah, Victoria on which it plans to develop its own pre export quarantine facilities within the vicinity of the key Darwin and Portland ports.

Wellard has grown its international footprint in particular in South America, sourcing large numbers of livestock to diversify its sourcing partners and mitigate the effects of high prices in Australia. Wellard expects to continue to take advantage of the large number of cattle available in Brazil and Uruguay to satisfy demand in customer markets where geography and price makes sourcing from this region preferable. The potential introduction of live export protocols for South America with Wellard's traditional South East Asian customer markets later in 2016 will further increase Wellard's commitment to its South

American supply base and allow Wellard to take advantage of the large size of its ships that are more efficient on long haul and to better protect itself from supply conditions in any one area and changes in demand in any particular country.

Wellard has also secured and will continue to secure, profitable external charter when capacity availability allows, so that it can maximize the fleet utilization and maintain relations with existing customers.

Notwithstanding the strong adverse challenges Wellard has experienced in FY 2016 and will continue to experience for most of FY 2017, the Company has successfully managed the redeployment of its shipping assets to new markets, developed its longer term capacity and developed new markets to leave Wellard with a solid platform, tested by many years of operation, on which to base growth and regain its historical average profit margins over the medium term.

7. DIRECTORS MEETINGS

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2016 and the number of meetings attended by each director:

Column (A) = number of meetings eligible to attend
Column (B) = number of meetings attended

	Board		Audit & Risk		Nomination &		Conflicts of	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
D. Griffiths[1]	13	13	5	5	1	1	7	7
M. Balzarini[5]	16	16						
G. Wheeler[5]	16	16						
S. Warburton[2]	13	13	5	5	1	1	7	7
P. Clausius[3]	13	13	5	5	1	1	7	6
E. Tavani[4]	3	3						

Notes:

1. *Mr Griffiths was appointed Chairman on 19 November 2015.*
2. *Ms Warburton was appointed a Director on 19 November 2015 and resigned on 26 August 2016.*
3. *Mr Clausius was appointed a Director on 19 November 2015.*
4. *Mr Tavani resigned as a Director on 19 November 2015.*
5. *Mr Balzarini and Mr Wheeler were appointed as Directors on 10 September 2015.*

In addition to the above meetings, a number of matters were dealt with by way of circular resolution during the year.

8. DIRECTORS' INTERESTS IN SECURITIES OF THE GROUP

The interests of each Director in the shares and options of the Group as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001 as at the date of this report are as follows:

Director	Ordinary Shares
D. Griffiths	100,000[1]
M. Balzarini	146,320,000[2]
G. Wheeler	960,000
P. Clausius	Nil

Notes:

1. *All Shares are held by Darju Pty Ltd, a company in which Mr Griffiths has a voting power of greater than 20%.*
2. *146,319,999 Shares are held by WGH and 1 Share is held by Camuna Pte Ltd, both being companies that are controlled by Mr Balzarini. As announced on 19 September 2016, WGH has agreed to transfer 66,319,999 shares to Fulida Group Holdings Co Ltd and 80,000,000 shares to its wholly owned subsidiary WGH Commodities, Land and Transport Pty Ltd.*

Wellard does not currently have any rights or options over Shares.

As set out in the Prospectus, Wellard intends to adopt an employee incentive plan to offer equity based remuneration to employees. The Company will seek shareholder approval at its Annual General Meeting to issue securities under that plan to the Managing Director.

9. INDEMNITIES AND INSURANCE

Rule 18.1 of the Wellard Constitution requires Wellard to indemnify each Director and officer on a full indemnity basis and to the extent permitted by law against liability incurred by them in their capacity as an officer of any member company of the Wellard Group. The Directors, Company Secretary and Officers have the benefit of this indemnity (as do any individuals who may have formerly held one of those positions).

As permitted by Wellard's Constitution, Wellard has entered into Deeds of Indemnity, Access and Insurance with each Director, Company Secretary and Officers. Wellard have also insured against amounts that Wellard may be liable to pay to Directors, Company Secretaries and certain employees or that Wellard otherwise agree to pay by way of indemnity. Wellard's insurance policy also insures Directors, Company Secretaries and relevant employees against certain liabilities (including legal costs) they may incur in carrying out their duties.

No indemnity payment has been made under any of the documents referred to above during the financial year.

10. DIVIDENDS

The Company does not intend to pay any dividends in respect of the year ended 30 June 2016.

11. EQUITY ISSUES DURING THE YEAR

Wellard was registered in Western Australia on 10 September 2015 with 1,000 Shares being issued to WGH (999 Shares) and Camuna Pte Ltd (1 Share).

The following shares were issued during FY 2016:

a) 215,000,000 Shares on 14 December 2015 to subscribers under Wellard's IPO;
b) 159,999,000 Shares on 14 December 2015 to WGH in consideration for the transfer of the Wellard business and associated subsidiaries. 13,680,000 of these Shares were immediately transferred to current and past employees, consultants, and others not part of the Wellard Group as a one-off IPO bonus. This bonus was provided by WGH, not Wellard, and the amount of the bonus provided to each participant was determined by WGH; and
c) 25,000,000 Shares on 14 December 2015 to Standard Chartered Private Equity Limited (**SCPEL**). The Shares issued to SCPEL formed part of the purchase price payable to WGH in relation to the purchase of the Wellard business, which were issued in part satisfaction of pre-existing obligations owed to SCPEL by WGH. As detailed in the Prospectus, SCPEL's shares are subject to voluntary escrow from the date of completion of the IPO to the business day after Wellard's results for FY2016 are released to ASX. This means SCEPL's 25,000,000 ordinary shares will be released from escrow on 3 October 2016.

12. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Since the end of the financial year:

- Australian conditions remain weak as a result of the continued tightening of supply of Australian cattle. Cattle prices reached record highs in the second half of FY 2016. This combined with a reluctance from traditional South East Asian customers to accept further price increases continues to impact revenue and gross margin. Wellard has focused its attention on sourcing cattle in South America;
- Wellard has entered into a revised agreement to delay the delivery of the MV Ocean Kelpie to the third quarter of 2018 to better suit market conditions and changed the payment schedule to match the new delivery timetable;
- The Wellard Group has submitted its insurance claim (excluding deductibles) for the cost of repairs arising from the twin crankshaft failures on the MV Ocean Swagman and MV Ocean Outback during FY 2016;
- Ms Sharon Warburton resigned as a non-executive Director of Wellard on 26 August 2016;

- Ms Yasmin Broughton resigned as Company Secretary and General Counsel of Wellard on 26 August 2016 and is serving out her notice period;
- At 30 June 2016 Wellard had a receivable owing by WGH of $15.8 million. On 19 September 2016, WGH advised that they had entered into refinancing agreements (**WGH Refinancing**) to enable WGH to repay the $15.8 million (plus accrued interest of $0.5 million) owed to Wellard. This payment from WGH of $16.3 million was received in full on 21 September 2016. Refer to ASX announcements dated 19 and 21 September for further details; and
- Wellard reached agreement with the provider of the one of the secured loan facility providers to amend one of the financial covenants and waive another financial covenant such that there is no longer an anticipated breach of these covenants at 31 December 2016.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

13. ENVIRONMENTAL REGULATION AND PERFORMANCE

The activities of the Wellard Group are subject to environmental regulation by various authorities throughout Australia.

PRE EXPORT QUARANTINE FACILITIES

Wellard operates a number of pre-export quarantine facilities throughout Australia which have been approved by the Australian Department of Agriculture as Registered Premises **(RPs)** under the Export Control (Animals) Order 2004 (Cth). These facilities are subject to both state and local government environmental legislation, as well as animal welfare legislation.

There were no reports of any breach of any relevant Act, code of practice or accreditation scheme under which Wellard's pre-export quarantine facilities were approved or operated during the year ended 30 June 2016.

LIVE EXPORT SERVICES

Wellard is engaged in the export of livestock to international markets, namely the supply of feeder and slaughter cattle to Indonesia, Vietnam, Israel, Turkey and Egypt as well as supply of dairy and breeding cattle to Sri Lanka, China and the Philippines. Sheep are also exported to Israel by sea freight and China by airfreight.

All live export operations are subject to Australian Government regulations and standards including:

a) The Australian Standards on the Export of Livestock (ASEL version 2.3) which provides detailed standards on the sourcing, preparation, management and transportation of livestock throughout the supply chain, until disembarkation. The ASEL also requires exporters to comply with state, territory and local government regulations including animal welfare and environmental regulations.
b) The Exporter Supply Chain Assurance System (ESCAS) which requires exporters to have control and traceability throughout the supply chain up to and including the point of slaughter in the receiving country.
c) The Export Control (Animals) Order 2004 (Cth).

Apart from minor non-compliances of ESCAS (for which regulators took no adverse action against Wellard), there have been no breaches of environmental regulations or legislation by Wellard's live export business in the financial year to 30 June 2016.

LIVESTOCK CARRIER VESSELS

Wellard, through its subsidiary Wellard Ships in Singapore owns and operate 5 livestock carriers engaged in international trade. All vessels comply with their state flag regulation, IMO, Solas and Marpol requirement and all classed by IACS class society. All ships carry a valid ACCL, Australia Certificate for the Carriage of livestock.

REMUNERATION REPORT

14. CONTENTS

The following sections form the Remuneration Report for the Wellard Group for the financial year ended 30 June 2016. The information provided in the Remuneration Report has been audited as required by the Corporations Act 2001 (Cth) and forms part of the Directors' Report.

- Remuneration Report Overview
- Remuneration Governance
- Remuneration of Executive KMP (including the CEO)
- Remuneration of Non-Executive Directors
- KMP shareholding
- Transactions with KMP

15. REMUNERATION REPORT OVERVIEW

This Remuneration Report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (Act).

The disclosure in this Remuneration Report relates to the remuneration of the Wellard Group's key management personnel (**KMP**), being those people who have the authority and responsibility for planning, directing and controlling Wellard's activities, either directly or indirectly, including any Director.

On 14 December 2015, Wellard acquired its business in accordance with the separation of WGH and its subsidiaries' (**WGH Group**) as disclosed in Wellard's Prospectus. Under the separation transaction, Wellard acquired a number of its subsidiaries including Wellard Feeds Pty Ltd (Australia), Wellard Rural Exports Pty Ltd (Australia), Wellard Animal Production Pty Ltd (Australia), Wellard Singapore Pte Ltd (Singapore), Wellard Ships Pte Ltd (Singapore), Ocean Drover Pte Ltd (Singapore), Niuyang Express Pte Ltd (Singapore), Ocean Shearer Pte Ltd (Singapore), Wellard do Brazil Agronegócios Ltda (Brazil), Wellard NZ Limited (New Zealand), and Wellard do Uruguay S.A. (**Separation Subsidiaries**).

Prior to the completion of the IPO, a number of Wellard's KMP and employees were employed by members of the WGH Group who were then subsequently employed by Wellard or transferred across to the Wellard Group.

This report focuses on the remuneration arrangements of Wellard as a separate entity from WGH post-IPO, including Wellard's remuneration policy and framework. However, in order to provide shareholders with a full and complete picture, and to comply with applicable statutory requirements, the report also includes the remuneration arrangements and amounts paid by the WGH Group to the KMP that provided services to the Wellard business prior to the separation.

The table below sets out details of those persons who were KMP of the Wellard Group during the financial year ended 30 June 2016:

Name	Positions Held	Term as KMP during FY 2016
Non-Executive Directors		
D. Griffiths	Non-Executive Chairman (19 November 2015 – present)	Part Year
P. Clausius	Non-Executive Director (19 November 2015 – present)	Part Year
S. Warburton	Non-Executive Director (19 November 2015 – resigned on 26 August 2016)	Part Year
E. Tavani	Non-Executive Director (10 September 2015 – 19 November 2015)	Part Year
Executive Directors		
M. Balzarini	Non-Executive Director (10 September 2015 – 18 November 2015) Managing Director & CEO (19 November 2015 – present)	Full Year[1]

Name	Positions Held	Term as KMP during FY 2016
G. Wheeler[2]	Non-Executive Director (10 September 2015 – 18 November 2015) Executive Finance Director (19 November 2015 – 11 July 2016)	Full Year[1]
Other Executive KMPs		
B. Wade	Chief Operating Officer (2 May 2016 – present)	Part Year
S. Braithwaite	Chief Business Development Officer (2 May 2016 – present) Chief Operating Officer (1 July 2015 – 2 May 2016)	Full Year[1]
D. Bazzoni	Head of Business Development – Europe & Americas	Full Year[1]
P. Triglia	Managing Director - Wellard Ships Pte Ltd	Full Year[1]

Notes:

1. *Prior to the acquisition by Wellard of the Separation Subsidiaries and the associated business, these individuals were employed by the WGH Group to perform their existing roles for the Wellard business that was then owned and run by WGH. In this regard these individuals have been KMP of the relevant Wellard business for the full financial year whilst continuing to perform the same role throughout the year.*
2. *On 11 July 2016, Mr Wheeler's role changed from that of Executive Finance Director to Non-Executive Director and ceased to be the Chief Financial Officer. For the purpose of this report Mr Wheeler is considered an Executive Director for the financial year ended 30 June 2016. Mr Alan Rule was appointed interim CFO on 12 July 2016.*

16. REMUNERATION GOVERNANCE

NOMINATION AND REMUNERATION COMMITTEE

The Board is responsible for ensuring that the remuneration arrangements for the Wellard Group are aligned with its business strategy and shareholders' interests.

The Nomination and Remuneration Committee is delegated responsibility to advise the Board on Board composition (ensuring the Board has an appropriate balance of skills, knowledge, experience, independence and diversity), Board succession planning, and an appropriate level and composition of remuneration for Directors and senior executives.

The Nomination and Remuneration Committee was formed on 19 November 2015 and comprises the following independent Directors:

- D. Griffiths – Committee Chair;
- P. Clausius – Committee Member; and
- S. Warburton – Committee Member (resigned as a director on 26 August 2016).

The Board regards it as critical that the Committee is independent from management when making decisions affecting the remuneration of KMP and other senior employees. To safeguard the independence of remuneration-setting procedures, the Nomination and Remuneration Committee is comprised solely of Non-Executive Directors, all of whom are independent.

The Nomination and Remuneration Committee meets throughout the year as required and when necessary is briefed by management, but makes all decisions free of the influence of management. The Committee may, from time to time, seek independent advice from remuneration consultants, and in so doing will directly engage with the consultant without management involvement.

Further information regarding the objectives and role of the Nomination and Remuneration Committee is contained in its Charter, which is available on the Corporate Governance Policy section of the Company's website at www.wellard.com.au.

INDEPENDENT REMUNERATION CONSULTANT

Ernst & Young were engaged by the Nomination and Remuneration Committee during the financial year to provide independent advice to the Committee on incentive plan consideration. The advice was not finalised prior to 30 June 2016. The Nomination and Remuneration Committee intend to engage Ernst & Young to complete their independent advice during the financial year ending 30 June 2017. Ernst & Young were paid a total of $4,120 for these services to the Wellard Group for the 2016 financial year.

17. REMUNERATION OF KMP

REMUNERATION POLICY

The Board and Nomination and Remuneration Committee recognise that remuneration has an important role to play in supporting the implementation and achievement of Wellard's strategy and ongoing performance.

The Board is committed to driving alignment between the remuneration arrangements of its KMP with the expectations of Wellard's shareholders, its employees and the Company's sustainability.

Wellard's executive remuneration policy aims to reward KMP fairly and responsibly in accordance with the Australian and Singaporean market and ensure that Wellard:

- provides competitive rewards that attract, retain and motivate KMP of the highest calibre;
- sets demanding levels of performance which are linked to KMP's remuneration;
- structures remuneration at a level that reflects the KMP's duties and accountabilities and is competitive;
- benchmarks remuneration against appropriate comparator groups;
- aligns KMP incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

REMUNERATION FRAMEWORK

Wellard's KMP remuneration currently comprises two key components:

- total fixed annual remuneration (**TFR**); and
- short term incentives (**STI**).

The table below provides a snapshot of Wellard's framework and the way in which each component of remuneration has been structured to support Wellard's business objectives and to align with the generation of shareholder wealth.

Component	Performance Measure	At Risk Weight	Objective
Fixed Annual Remuneration Salary and other benefits (including statutory superannuation) (**FAR**)	• Role and responsibility • Business and individual performance • Contribution, competencies and capabilities	Nil.	FAR is broadly aligned with salaries for comparable roles in companies of similar size, complexity and industry. KMP receive FAR that reflects each individual's responsibilities, location, skills, experience and performance. FAR will be reviewed annually considering benchmarking of comparable roles, changes in responsibility, and general economic conditions. A review was not undertaken this financial year as KMP were only appointed in November 2015.

Component	Performance Measure	At Risk Weight	Objective
Short Term Incentives Cash bonus	• EBITDA hurdles set out below • Discretionary bonus	Fixed amount paid subject to hurdles being met	The purpose of STI is to focus the KMP on the performance measures and outcomes that are priorities for the Wellard Group for the relevant financial year. The FY 2016 STI plan was established prior to the IPO. The Wellard FY 2016 plan STI comprises financial measures and a discretionary element which are set on the basis that they are expected to have a significant short-term impact on the success of the Wellard Group. The STI targets for FY 2016 are set out in the table below. The STI targets were not met in FY 2016 and no cash bonuses were paid under the plan as the EBITDA was below the USD 50 million threshold.
Total Remuneration	The remuneration components are designed to reflect the diversified and vertical nature of the Wellard business and is structured to reward Executives for performance at the Wellard Group level as well as at the individual performance level. The remuneration structure also seeks to align executive and shareholder interests through share ownership.		

FY2015-16 EBITDA hurdles for Wellard Rural Exports Pty Ltd only	Potentially Payable to each KMP	Potentially Payable to each General Manager	Total Potentially Payable
USD 50 million	0	0	0
USD 55 million	45,000	30,000	315,000
USD 60 million	90,000	60,000	630,000
USD 65 million or more	150,000	100,000	1,050,000

FIXED ANNUAL REMUNERATION

Each KMP receives a fixed salary. The quantum of salary reflects the individual's responsibilities, location, skills, experience and performance and is aligned with salaries for comparable roles in global companies of similar complexity, size, geographic footprint, listing jurisdictions, reach and industry.

The remuneration of KMP whom had executive roles with the WGH Group prior to the separation of the Wellard business was determined based on their historical remuneration arrangements put in place by the WGH Group. Executive fixed remuneration did not increase during the 2016 financial year. An increase was made to the Group Managing Director's fixed remuneration from 30 June 2016 as set out in the Key terms of KMP Agreements below.

SHORT TERM INCENTIVES

The short term incentive targets of EBITDA for FY 2016 were not met and no payment was made to KMP or employees in relation to those targets. A discretionary bonus was paid under the short term incentive plan to Scot Braithwaite in July 2015 totalling $100,000 and to Paolo Triglia of $30,051 in relation to FY 2015.

Wellard intends to adopt a new short term incentive plan for FY 2017, however at the date of this report, the terms of the plan have not been finalised.

LONG TERM INCENTIVE (LTI)

There was no long term incentive plan in place during the 2016 financial year.

ONE OFF IPO BONUS

A number of the Wellard's KMP, employees and consultants received a one-off IPO bonus from WGH in recognition of their contribution to the development of Wellard over time and the IPO listing. This one-off IPO bonus was provided by WGH, not Wellard, and the amount of the bonus granted to each participant was determined by WGH. However, due to the predecessor accounting policy adopted by Wellard, the expense has been recognised in the Wellard financial statements.

The bonus was provided in the form of Wellard shares transferred from WGH's shareholdings to the relevant individuals. The members of the KMP that participated in the IPO bonus provided by WGH were Greg Wheeler, Scot Braithwaite, Paolo Triglia and Domenico Bazzoni. Refer to page 24 for details of the shares issued to KMP under the IPO bonus.

KEY TERMS OF KMP AGREEMENTS

Remuneration and other terms of employment for the KMP disclosed in this Remuneration Report are contained in contracts of employment or consultancy agreements as summarised in the table below:

Executive	Agreement Commencement/ Termination Date	Total Fixed Remuneration[1]	STI	LTI (% of Base Salary)	Notice of Termination	Notice required for Resignation
M. Balzarini	19 November 2015	USD 680,000	At the discretion of the Board	If an LTI plan is in place, up to 20% of base salary	6 months	6 months
G. Wheeler[2]	19 September 2011 to 11 July 2016	$383,250	At the discretion of the Board	If an LTI plan is in place, up to 20% of base salary	6 months	6 months
B. Wade	25 April 2016	$220,000	At the discretion of the Board	If an LTI plan is in place, up to 20% of base salary	6 months	6 months
S. Braithwaite	December 2015	$500,000	At the discretion of the Board		6 months	6 months
D. Bazzoni	December 2015	USD 240,000	At the discretion of the Board		6 months	6 months
P. Triglia	18 November 2015	SGD 350,000	At the discretion of the Board	Discretionary Bonus (1 month salary/year service) Discretionary Performance Bonus	3 months	3 months

***Notes**:*

1. *This is inclusive of superannuation payments.*
2. *Effective from 11 July 2016, Mr Wheeler changed role from CFO/ Executive Director of Wellard to Non-Executive Director. Accordingly, Mr Wheeler's employment contract ceased effective from 11 July 2016.*

EXECUTIVE KMP REMUNERATION TABLE

The table below sets out the remuneration received by Wellard KMP for FY 2016 during:

- the portion of the year for which KMP were employed by the Wellard Group; and
- the portion of the year for which KMP were employed by the WGH Group to perform duties in respect of the Wellard business (which was subsequently transferred to Wellard).

No comparative information is provided for the financial year ended 30 June 2015 on the basis that this is the first year of the listing of the Wellard Group.

The following table sets out the statutory disclosures required under the Corporations Act 2001 (Cth) and in accordance with the Accounting Standards. The amounts shown reflect the remuneration for each KMP that relates to their service as a KMP of the Wellard Group (i.e. the period from their commencement as a KMP through to 30 June 2016):

	SHORT-TERM BENEFITS	SHORT-TERM BENEFITS	SHORT-TERM BENEFITS	LONG-TERM BENEFITS	LONG-TERM BENEFITS	POST EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS	TOTAL REMUNERATION	% OF REMUNERATION "AT-RISK"
	Base Salary	STI[1]	Other[2]	Accrued Annual Leave[3]	Long Service Leave[12]	Superannuation	Value of shares received[4]		
Executive Directors									
M. Balzarini	820,812[7]	Nil	5,818	36,742	7,992	34,952	Nil	906,316	0%
G. Wheeler	353,837	Nil	2,725	18,942	5,854	29,414	1,334,400[8]	1,745,172	0%
Senior Executives									
B. Wade[5]	31,682	Nil	7,807	2,856	621	3,010	Nil	45,976	0%
S. Braithwaite	500,004	100,000	Nil	Nil[6]	Nil	Nil	3,558,400[9]	4,158,404	0%
D. Bazzoni	367,475[7]	Nil	Nil	Nil[6]	Nil	Nil	1,112,000[10]	1,479,475	0%
P. Triglia	334,833	30,051	142,281[13]	Nil	Nil	Nil	1,334,400[11]	1,841,565	0%
TOTAL	**2,408,643**	**130,051**	**158,631**	**58,540**	**14,467**	**67,376**	**7,339,200**	**10,176,908**	**0%**

1. *This includes cash bonuses provided to KMP.*
2. *This includes short term benefits such as parking, vehicle, travel, internet and accommodation.*
3. *Includes statutory leave for Executive Directors and other KMP.*
4. *The figures in this column of the table represent the fair value of Wellard shares provided by WGH to KMP as a one-off IPO bonus at the IPO share issue price of $1.39.*
5. *Mr Wade commenced employment with Wellard as Chief Operating Officer on 2 May 2016.*
6. *Messrs Braithwaite and Bazzoni are paid as consultants of the Wellard. Accordingly, they do not receive any leave or superannuation entitlements.*
7. *Messrs Balzarini's and Mr Bazzoni's remuneration is paid in US dollars.*
8. *Mr Wheeler received 960,000 shares @ $1.39 with 100% escrowed until day after results for FY 2016 released to ASX. Then 67% escrowed to day after results for FY 2017 released to ASX. Full details of the escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.*
9. *Mr Braithwaite received 2,560,000 shares @ $1.39 with 100% escrowed until the day after results for FY 2016 are released to ASX. Then 67% escrowed until the day after the results for FY 2017 are released to ASX. Full details of the escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.*
10. *Mr Bazzoni received 800,000 shares @ $1.39 with 100% escrowed until the day after results for FY 2016 are released to ASX. Then 67% escrowed until the day after the results for FY 2017 are released to ASX. Full details of the escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.*
11. *Mr Triglia received 960,000 shares @ $1.39 with 100% escrowed until the day after results for FY 2016 are released to ASX. Then 67% escrowed until the day after the results for FY 2017 are released to ASX. Full details of the escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.*
12. *Represents the net accrual movement for Long Service Leave (**LSL**) over the twelve month period which will only be paid if the KMP meets legislative service conditions. LSL has been separately categorised and is measured on an accrual basis and reflects the movement in the accrual over the twelve month period.*
13. *Mr Triglia is employed as an expatriate and pursuant to his employment contract receives additional benefits for accommodation, school fees and travel expenditure.*

18. REMUNERATION OF NON-EXECUTIVE DIRECTORS

REMUNERATION POLICY AND ARRANGEMENTS

The Board considers the following policy objectives when determining its remuneration profile for Non-Executive Directors:

a) offering market competitive remuneration to attract and retain high quality directors with the appropriate expertise and skillset to complement the Wellard business;
b) safeguarding the independence of Non-Executive Directors by limiting performance-related remuneration of Non-Executive Directors; and
c) ensuring the Company is not paying excessive remuneration.

No element of the Non-Executive Directors' remuneration is linked to the performance of the Company. However, to create alignment with shareholders, Non-Executive Directors are encouraged to hold equity securities in the Company. At the date of this report a majority of the Non-Executive Directors hold some form of equity securities in the Company. All Directors are subject to the Company's "Security Trading Policy".

AGGREGATE FEES

Under the Constitution, the Non-Executive Directors will be remunerated for their services by:

a) an amount or value of remuneration each year as Wellard in a general meeting determines; or
b) an aggregate amount or value of remuneration not exceeding the maximum amount or value as Wellard in a general meeting determines, to be divided among the Non-Executive Directors in such proportion and manner as they agree, or if they do not agree, equally.

Wellard has currently fixed the maximum aggregate fee pool for Non-Executive Directors at $800,000 per annum.

REMUNERATION REVIEW

The Board will periodically review the level of fees paid to Non-Executive Directors, including seeking external advice were appropriate.

A review of the remuneration of Non-Executive Directors was not undertaken during the 2016 financial year as the Board did not believe it was necessary or appropriate given that the Non-Executive Directors were appointed on 19 November 2015. No change was made to Non-Executive Director fees, or the fees paid to members of any Board Committee. However, in March 2016 the Board established a new Board committee, the '*Conflict of Interest*' committee to assist the Board in ensuring that the consideration of matters by the Board is undertaken free from any actual influence or appearance of influence from persons with conflicts of interest or duty

NON-EXECUTIVE DIRECTOR FEES AND BENEFITS

Set out in below is a description of each component of total remuneration for Non-Executive Directors and how each component impacts remuneration.

Fees/benefits	Description	2016 ($) (incl. superannuation)	Included in Shareholder Cap
Board Fees	**Wellard Board**		
	Chairman	$200,000	
	Members	$100,000	Yes
Committee Fees	**Audit & Risk Compliance Committee**		
	Chairman	$25,000	
	Members	$10,000	Yes
	Nomination & Remuneration Committee		
	Chairman	$25,000	
	Members	$10,000	Yes
Superannuation	Compulsory superannuation payments are made in accordance with applicable laws from time to time.		Yes
STI and LTI	Non-Executive Directors are not eligible to participate in any STI or LTI arrangements.		N/A
Other Group Fees	Non-Executive directors are not paid additional fees for participation on the board of any of Wellard's subsidiary companies and are not directors of any subsidiary board's.		N/A
Termination Payments	Termination benefits are not payable to Non-Executive Directors.		N/A
Other Benefits	Non-executive Directors are entitled to reimbursement for business-related expenses, including travel expenses and also receive the benefit of coverage under Wellard's directors and officer insurance policy.		No

NON-EXECUTIVE DIRECTOR REMUNERATION

The fees paid or payable to the Non-Executive Directors in relation to the 2016 financial year are set out below:

	Short Term Benefits	Post-employment	
Non-Executive Director	**Board and Committee Fees $**	**Superannuation [1] $**	**Total $**
D. Griffiths	126,290	11,998	**138,288**
S. Warburton	72,550	6,892	**79,442**
P. Clausius	64,489	6,126	**70,615**
E. Tavani	41,965		**41,965**
Total	**305,295**	**25,016**	**330,311**

Notes:

1. *Superannuation contributions are made on behalf of Non-Executive Directors in accordance with Wellard's statutory superannuation obligations. Also included are any director's fees that have been sacrificed into superannuation.*
2. *Mr Griffiths, Ms Warburton and Mr Clausius were appointed Directors on 19 November 2015. Ms Warburton resigned on 26 August 2016.*
3. *Mr Tavani served as a Director of Wellard prior to the acquisition of the Separation Subsidiaries and associated business from WGH. Mr Tavani resigned as a Director on 19 November 2015 but remains a director of Wellard Feeds Pty Ltd and Wellard Rural Exports Pty Ltd.*

19. KMP SHAREHOLDING

The Board considers equity based remuneration an important element of the Wellard executive remuneration framework. The Board believes executive based remuneration helps align the interests of Wellard shareholders and senior executives and encourages executives to carefully consider the interests of Wellard shareholders while performing their duties as senior executives.

Since Wellard's admission to the official list of ASX, Wellard considers it appropriate to adopt an employee incentive plan to enable Wellard employees and directors to receive equity based remuneration. Wellard is seeking shareholder approval at its 2016 annual general meeting to allow Wellard to issue securities for this purpose. During the 2016 financial year, Wellard did not have in operation any employee incentive plans and did not issue any equity based remuneration.

A number of KMP and Wellard employees received Wellard shares as a one-off IPO bonus provided by WGH in recognition of their contribution to the development of Wellard and the IPO listing. The IPO bonus was provided by WGH, and the amount of the bonus granted to each participant was determined by WGH. Details of any IPO bonus shares issued to KMP are included in the table below.

Mr Wheeler, Mr Braithwaite, Mr Bazzoni and Mr Triglia (**IPO KMP**) have entered into voluntary escrow arrangements in respect of the shares they received as the one-off IPO bonus. The terms of these escrow arrangements are set out in the Prospectus. In summary, the voluntary escrow arrangements prevent the IPO KMP from dealing in the shares until the business day after Wellard's results for FY 2016 are released to ASX and in relation to 67% of the escrowed shares for an additional period concluding on the business day after Wellard's results for FY 2017 are released to the ASX.

The table below sets out the number of shares held directly, indirectly or beneficially by directors and KMP including their related parties.

Name	Balance at year-start [1]	Granted as remuneration [2]	Net Change	Balance at year-end	Number of unvested Shares
Non-executive Directors					
D. Griffiths	Nil	Nil	100,000	100,000	Nil
S. Warburton	Nil	Nil	50,000	50,000	Nil
P. Clausius	Nil	Nil	Nil	Nil	Nil
E. Tavani	Nil	160,000	Nil	160,000	Nil
Executive Directors					
M. Balzarini	Nil	Nil	146,320,000[3]	146,320,000	Nil
G. Wheeler	Nil	960,000	960,000	960,000	Nil
Other Executive KMPs					
B. Wade	Nil	Nil	Nil	Nil	Nil
S. Braithwaite	Nil	2,560,000	2,560,000	2,560,000	Nil
D. Bazzoni	Nil	800,000	800,000	800,000	Nil
P. Triglia	Nil	960,000	960,000	960,000	Nil

Notes:

1. *Wellard was incorporated on 10 September 2015 therefore no KMP had any interest in shares at the beginning of the financial year.*
2. *No equity based remuneration was provided by Wellard during the 2016 financial year. These shares were provided by WGH as a one-off IPO bonus.*
3. *146,319,999 of these shares were issued to WGH in consideration for the separation/acquisition of the Wellard business from WGH to Wellard. Full details of the separation transaction are set out in Wellard's IPO Prospectus.*

The Nomination and Remuneration Committee has approved the establishment of an Employee Share Acquisition Plan (**ESAP**) which will be implemented by December 2016. Employees, including KMP, will have the ability to acquire Wellard shares under the ESAP. Participation in the plan will be voluntary and enable employees to use their after-tax remuneration to acquire Wellard shares. Shares will be purchased on-market on a monthly basis (except during blackout periods) by the plan trustee and will be subject to a 12-month trading restriction, during which time the shares will be held by the plan trustee.

PROHIBITION ON HEDGING SHARES AND EQUITY INSTRUMENTS

KMP are not allowed to protect the value of any unvested or restricted equity awards allocated to them. KMP are also not permitted to use unvested or restricted equity awards as collateral in any financial transaction, including hedging and margin loan arrangements.

Any securities that have vested and are no longer subject to restrictions or performance conditions may be subject to hedging arrangements or used as collateral provided that the consent, notification and other restrictions on dealings set out in the Wellard Security Trading Policy are complied with in advance of the KMP entering into the arrangement.

20. TRANSACTIONS WITH KMP

At 30 June 2016, Mr Balzarini, a director of Wellard, had a 36% shareholding interest in Wellard. Details of all transactions with KMP and Related parties are set out in note 27.

End of Remuneration Report.

21. ROUNDING

Wellard is an entity of the kind specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that legislative instrument, amounts in the financial report and Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise. All amounts are in Australian dollars only, unless otherwise stated

22. NON AUDIT SERVICES

The auditor's independence declaration has been included on page 27.

Details of the non-audit services undertaken by, and amounts paid to, PwC are detailed in note 29 to the financial statements.

The total non-audit services fees of $1,428,789 represents 74% of the total fees paid or payable to PwC and related practices for the year ended 30 June 2016. These fees were in relation to the IPO.

The Directors have formed the view, that the provision of non-audit services during the financial year ended 30 June 2016 was compatible with, and did not compromise, the general standard of auditor independence for the following reasons:

a) the non-audit services provided do not involve reviewing or auditing the auditor's own work or acting in a management or decision-making capacity for the Company; and

b) all non-audit services were subject to the corporate governance procedures and policies adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not affect the integrity and objectivity of the auditor.

In accordance with the Corporations Act 2001 section 307C the Auditors of the Company, PwC have provided a signed auditor's independence declaration to the Directors in relation to the year ended 30 June 2016. This declaration has been attached to the independent audit report to the members of the Company.

23. CORPORATE GOVERNANCE STATEMENT

The Company will disclose its Company Corporate Governance Statement on the Wellard website at www.wellard.com.au at the same time it lodges its Annual Report with ASX.

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001, in Perth, Western Australia on 30 September 2016.

On behalf of the Directors

Mr David Griffiths
Chairman

Mr Mauro Balzarini
Managing Director and Chief Executive Officer

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Wellard Limited we declare that:

1) In the opinion of the Directors:
    a. the attached financial statements, notes and the additional disclosures included in the Directors' Report designated as audited of the Group are in accordance with the *Corporations Act 2001*, including:
        i. giving a true and fair view of the financial position and performance of the Group as at 30 June 2016 and of its performance for the year ended on that date; and
        ii. complying with Accounting Standards and the *Corporations Act 2001*; and
    b. the financial statements and notes also comply with International Reporting Standards as disclosed in Note 1; and
    c. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.

Mr David Griffiths	**Mr Mauro Balzarini**
Chairman	Managing Director and Chief Executive Officer

Dated: 30 September 2016

Auditor's Independence Declaration

As lead auditor for the audit of Wellard Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Wellard Limited and the entities it controlled during the period.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
30 September 2016

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Continuing Operations			
Revenue	2	573,773	512,106
Cost of sales	3(a)	(484,874)	(424,459)
Gross profit		**88,899**	**87,647**
Other gains/(losses)	3(b)	(1,442)	(6,348)
Finance costs	3(c)	(13,718)	(14,654)
Depreciation and amortisation expenses		(20,789)	(21,739)
Administration expenses	3(d)	(16,937)	(16,887)
Operating expenses	3(e)	(36,265)	(26,799)
Other expenses	3(f)	(30,539)	(3,419)
(Loss) from continuing operations before income tax		**(30,791)**	**(2,199)**
Income tax benefit	5	7,468	2,002
Net (loss) for the period after tax		**(23,323)**	**(197)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
(Loss)/gain from foreign currency translation		(10,698)	17,308
Other comprehensive profit/(loss) for the period, net of tax		**(10,698)**	**17,308**
Total comprehensive (loss)/profit for the period		**(34,021)**	**17,111**
		Cents	**Cents**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic loss per share	6	(6.4)	(0.1)
Diluted loss per share	6	(6.4)	(0.1)

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 $'000	2015 $'000
Current Assets			
Cash and cash equivalents	8	31,930	18,182
Trade and other receivables	0	70,463	228,421
Inventories	11	13,343	8,262
Biological assets	12	38,672	10,591
Derivative financial assets	13	1,369	-
Other assets	15	19,235	3,168
Total Current Assets		**175,012**	**268,624**
Non-Current Assets			
Other assets	15	156	-
Property, plant and equipment	19	290,076	205,077
Intangible assets	20	4,562	3,125
Deferred tax assets	5	8,747	1,655
Total Non-Current Assets		**303,541**	**209,857**
Total Assets		**478,553**	**478,481**
Current Liabilities			
Trade and other payables	16	59,397	85,683
Loans and borrowings	7	203,521	45,206
Provisions	21	1,272	948
Deferred revenue	17	21,104	11,188
Total Current Liabilities		**285,294**	**143,025**
Non-Current Liabilities			
Loans and borrowings	7	-	208,538
Provisions	21	907	2,376
Deferred tax liabilities	5	3,597	338
Total Non-Current Liabilities		**4,504**	**211,252**
Total Liabilities		**289,798**	**354,277**
Net Assets		**188,755**	**124,204**
Equity			
Issued capital	10	548,515	56,940
Reserves	32	(390,251)	13,450
Retained earnings	33	30,491	53,814
Total Equity		**188,755**	**124,204**

The accompanying notes form an integral part of this consolidated statement of financial position

Wellard

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to Owners					
	Issued Capital $'000	Retained Earnings $'000	Share Based $'000	Other Reserves $'000	Common Control $'000	Total $'000
Consolidated						
Balance at 30 June 2014	56,940	54,011	-	(3,858)	-	107,093
(Loss) for the period	-	(197)	-		-	(197)
Other comprehensive income	-	-	-	17,308	-	17,308
Total comprehensive income for the period	**-**	**(197)**	**-**	**17,308**	**-**	**17,111**
Balance at 30 June 2015	56,940	53,814	-	13,450	-	124,204
(Loss) for the period	-	(23,323)	-	-	-	(23,323)
Other comprehensive income	-		-	(10,698)	-	(10,698)
Total comprehensive income for the period	**-**	**(23,323)**	**-**	**(10,698)**	**-**	**(34,021)**
Reverse existing capital resulting from restructure (see note 31)	(56,940)	-	-	-	-	(56,940)
Ordinary shares issued to existing shareholder	257,150	-	-	-	-	257,150
Ordinary shares issued	298,850	-	-	-	-	298,850
Costs relating to share issue net of tax	(7,485)	-	-	-	-	(7,485)
Share based payment reserve	-	-	18,014	-	-	18,014
Common control reserve from restructure	-	-	-	-	(411,017)	(411,017)
Balance at 30 June 2016	**548,515**	**30,491**	**18,014**	**2,752**	**(411,017)**	**188,755**

The accompanying notes form an integral part of this consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash Flows from Operating Activities			
Receipts from customers inclusive of GST		567,273	514,959
Payments to suppliers and employees inclusive of GST		(571,729)	(462,406)
Finance costs		(15,538)	(12,347)
Interest received		19	53
Income tax paid		(21)	-
Net operating cash inflows/(outflows)	9	**(19,996)**	**40,259**
Cash Flows from Investing Activities			
Proceeds from sale of property, plant & equipment		339	158
Purchase of property, plant and equipment		(99,889)	(34,587)
Cash advances on duties prepaid		(7,624)	-
Purchase of intangible assets		(3,733)	-
Net investing cash (outflows)		**(110,907)**	**(34,429)**
Cash Flows from Financing Activities			
Net proceeds from issue of shares		290,028	-
Proceeds of IPO returned to former parent entity		(188,228)	-
Amounts received from/(paid) to related parties		96,252	(161,829)
Proceeds from borrowings		275,430	318,813
Repayments of borrowings		(328,831)	(154,971)
Net financing cash inflows		**144,651**	**2,013**
Net increase in cash held		13,748	7,843
Cash at the beginning of financial year		18,182	10,339
Cash at the end of financial year	8	**31,930**	**18,182**

The accompanying notes form an integral part of this consolidated statement of cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Basis of Preparation

(a) Corporate information

The consolidated financial statements of the Group, comprising Wellard Limited (**Company** or **Wellard**) and the entities that it controlled (**Group**) during the year ended 30 June 2016, were authorised for issue in accordance with a resolution of the Directors on 30 September 2016.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of operations and principal activities of the Group is an agribusiness that connects primary producers of cattle, sheep and other livestock to customers globally through a vertically integrated supply chain.

The address of the registered office is 1A Pakenham Street, Fremantle Western Australia 6160.

(b) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for

- Biological assets – measured at fair value
- Derivative financial assets – measured at fair value

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (**$'000**) unless otherwise stated, under the option available to the Company under Australian Securities and Investment Commission (**ASIC**) Instrument 2016/191. The Company is an entity to which the instrument applies.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

(c) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The existing working capital facility was established when the Wellard operations were primarily focussed on sourcing cattle from Australia. With the increased cattle prices and reduced supply in Australia, Wellard has reduced its business in Australia and increased its business in South America. As a consequence, the working capital facility currently in place is of limited use for the South American operations as it only provides limited financial support to the South American operations. Wellard is currently seeking to establish a new working capital facility for its South American operations and to amend the existing working capital facility to improve its workability for its existing operations.

At 30 June 2016 Wellard had breached an undertaking in the working capital facility but has obtained a waiver and extension to the remedy period to 30 November 2016 before it will become an event of default. Wellard together with the working capital facility provider are currently in the process of remedying the breach by including a number of overseas subsidiaries as Obligors in the working capital facility agreement. Wellard expects that this will be finalised prior to 30 November 2016.

Subsequent to 30 June 2016 Wellard breached an undertaking in the working capital facility but has obtained a waiver and extension to the remedy period to 28 February 2017 before it will become an event of default. Wellard expects that this will be finalised prior to 28 February 2017.

Notwithstanding that the Wellard Group was not in default with any debt facility at 30 June 2016 and no cross defaults have occurred, the application of AASB 101 to the working capital breach has meant a reclassification of borrowings of $168.9 million from non-current to current liabilities which results in a working capital deficiency of $110.3 million.

In addition, it is likely that Wellard will breach certain financial covenants to be measured at 30 September 2016 and 31 December 2016 in the working capital facility. Wellard is currently in discussions with the working capital facility provider to seek amendment to the financial covenants. At 30 June 2016 and at the date of this report, only $10 million was outstanding under this working capital facility.

As a consequence of the above matters, a material uncertainty exists that may cast significant doubt as to whether Wellard will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts in this report. However, the Directors believe that there are reasonable grounds to believe that the use of the going concern basis remains appropriate as there is an expectation that the Group:

- will be able to establish a new working capital facility for its South American operations and to amend the existing working capital facility to improve its workability for its existing operations;
- will be able to remedy the breaches within the remedy period and the working capital facility provider will agree to amend the financial covenants; or
- will be able to raise sufficient amounts of either debt or equity.

This Annual Financial Report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Wellard Group not continue as a going concern.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled entities. The financial statements of controlled entities are prepared for the same reporting period as the Company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

(e) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

(f) Foreign currency

The functional currency of the Company and its controlled entities is Australian dollars (**$**).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All such exchange differences are taken to the income statement in the consolidated financial report.

(g) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Other accounting policies

Other significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

(i) Key accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Significant judgements and estimates which are material to the financial statements are provided throughout the notes to the financial statements.

2. Revenue

	Note	2016 $'000	2015 $'000
Revenue:			
Sales revenue		526,893	502,763
Services revenue		46,880	9,343
		573,773	**512,106**

Recognition and Measurement

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognized.

Sale of Goods

Revenue from sale of goods is recognised upon the delivery of goods to customers or when there has been a transfer of risks and rewards to the customer. Depending on the terms of the contract with the customer, the risks and rewards are deemed to have passed on completion of the loading of the vessel or when the vessel containing livestock docks at the destination port.

Vessel Chartering

Voyage charter revenue is recognised on a percentage of completion basis which is determined on a time proportion method of each individual voyage. Any demurrage and dispatch is recognised when considered probable.

3. Expenses

	Note	2016 $'000	2015 $'000
(a) Cost of Sales:			
Livestock		391,499	355,344
Shipping		59,433	42,691
Processing and distribution		33,942	26,424
		484,874	**424,459**
(b) Other (gains)/losses:			
Net foreign exchange (gains)/losses		6,636	6,836
Fair value gains on financial assets at fair value		(1,369)	-
Net gain arising from change in fair value of biological assets		(3,763)	(262)
Gain on disposal of property, plant and equipment		(62)	-
Gain on debt forgiveness		-	(226)
		1,442	**6,348**
(c) Net Finance costs:			
Interest income		(992)	(53)
Interest expense		14,710	14,707
		13,718	**14,654**
(d) Administrative expenses:			
Consulting costs		3,815	3,850
Occupancy costs		3,995	2,981
General & admin costs		5,287	6,166
Travel expenses		3,840	3,890
		16,937	**16,887**
(e) Operating expenses:			
Bad and doubtful debts expense		1,524	3,194
Labour expense	3(g)	18,884	16,503
Motor vehicle expenses		677	748
Repairs & maintenance		15,180	6,354
		36,265	**26,799**

	Note	2016 $'000	2015 $'000
(f) Other expenses:			
Restructuring costs		1,736	2,009
IPO transaction costs		7,474	-
Share based payment expense		18,644	-
Loan establishment costs		2,643	368
Loss on disposal of property, plant and equipment		42	1
Loss arising from write down of inventories		-	1,041
		30,539	**3,419**
(g) Labour expenses:			
Wages and salaries		14,841	13,302
Employee entitlements and on costs		1,925	1,740
Superannuation		895	824
Payroll tax		1,223	637
		18,884	**16,503**

Recognition and Measurement

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings. Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale. Loan establishment costs have been capitalised and are amortised over the life of the loan facility. Borrowing costs relating to loans extinguished during the period have been expensed.

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

4. Segment Information

The Group's management has considered the reportable segments in which the Group will report in this financial statement and in the future.

As a result of this process, Wellard's management has determined that Livestock Marketing, Export and Transportation represents the only reportable segment, including the marketing and export of cattle and sheep. These export activities have similar production and distribution channels, similar products and similar end customers, and as such aggregated and classified as one segment. Processed Meat Marketing & Export and Corporate Services are not considered to be reportable operating segments, and have been presented in an 'other segments' column.

These classifications are in accordance with AASB 8 guidelines.

Description of segments and principal activities

1. **Livestock Marketing, Export and Transportation**: This segment is engaged in the business of buying livestock from multiple sources for export to international markets and includes all the logistics and transport required to supply livestock to its customers.

2. **Other Segments**: This segment consists of Processing and Distribution as well as Corporate Services. Processing and Distribution is in the business of operating abattoirs as well as marketing of processed meat for export to international markets. The processed meat is sourced from the Beaufort River Meats abattoir, which is owned and operated by the Group, or procured from external suppliers. Corporate Services consists of a centralised support function which provides specialised services across several disciplines to the rest of the Group, including Human Resources, Finance and Payroll, Information Technology and Communication, Legal Services and the Board of Directors.

Management primarily uses a measure of earnings before interest, tax, depreciation and amortisation (**"EBITDA"**) to assess the performance of the operating segments. However, management also receives financial information about segment revenue, interest expense, assets and liabilities on a monthly basis.

	2016 $'000	2015 $'000
Revenue		
Livestock Marketing and Export	535,880	482,621
Other Segments	37,893	29,485
	573,773	**512,106**
EBITDA		
Livestock Marketing and Export	35,761	35,871
Other Segments	(32,051)	(1,677)
	3,710	**34,194**

Geographical Information

Wellard operates in several geographical locations around the world spanning multiple continents for both procurement and sales of livestock.

External Revenues based on the origin Country of sale are as follows:

	2016 $'000	2015 $'000
Australia	483,063	503,517
Singapore	40,676	7,995
Uruguay	37,540	-
Brazil	12,494	594
	573,773	**512,106**

The non-current assets of the Group are located across the following locations:

	2016 $'000	2015 $'000
Singapore	281,542	196,990
Australia	16,397	10,542
Brazil	660	653
Other	56	18
	298,655	**208,203**

5. Taxation

	2016 $'000	2015 $'000
(a) Income tax (benefit)		
Major components of income tax expense are:		
Current tax	(4,853)	1,125
Deferred tax	(2,615)	(1,235)
Prior year losses not previously brought to account	-	(1,892)
Income tax (benefit) reported in the income statement	**(7,468)**	**(2,002)**
(b) Numerical reconciliation		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2015: 30%)	(9,236)	(659)
Add/(less) tax effect of:		
Other assessable items		
Attributable foreign income	2,266	-
Under provision for income tax in prior year	-	(1,891)
Impairment of goodwill	486	-
Other non-allowable items	3,804	-
Shared based payment	6,509	283
IPO costs	1,196	-
	5,025	**(2,267)**
Add/(Less):		
Tax effect of:		
Other non-assessable items	(1)	3
Effect of different rates of tax on overseas profit	12,494	(268)
	12,493	**(265)**
Income tax (benefit) attributable to entity	**(7,468)**	**(2,002)**

(c) Deferred Tax Asset Balances

	Provisions and accruals $'000	Unrealised Foreign exchange losses $'000	Borrowing costs $'000	IPO costs $'000	Assessed tax losses carried forward $'000	Total $'000
Year ended 30 June 2016						
Opening amount	361	1,293	-	-	-	**1,654**
Movement in:						
Profit and loss	661	929	83	598	3,603	**5,874**
Equity	-	-	-	1,219	-	**1,219**
Closing amount	**1,022**	**2,222**	**83**	**1,817**	**3,603**	**8,747**
Year ended 30 June 2015						
Opening amount	318	-	-	-	-	**318**
Movement in:						
Profit and loss	43	1,293	-	-	-	**1,336**
Equity	-	-	-	-	-	**-**
Closing amount	**361**	**1,293**	**-**	**-**	**-**	**1,654**

(d) Deferred Tax Liability Balances

	Property, Plant & Equipment $'000	Unrealised Foreign exchange gains $'000	Other $'000	Total $'000
Year ended 30 June 2016				
Opening amount	240	3	95	**338**
Movement in:				
Profit and loss	(220)	3,417	62	**3,259**
Equity	-	-	-	**-**
Closing amount	**20**	**3,420**	**157**	**3,597**
Year ended 30 June 2015				
Opening amount	214	79	(56)	**237**
Movement in:				
Profit and loss	26	(76)	151	**101**
Equity	-	-	-	**-**
Closing amount	**240**	**3**	**95**	**338**

Deferred Tax Balances

Prior to the IPO, all Australian resident subsidiaries formed part of a separate tax consolidated group which was dissolved when Wellard Limited and its subsidiaries listed on the Australian Securities Exchange. Deferred tax assets and liabilities for these subsidiaries were carried forward from its original tax bases and no material adjustments were effected to the tax bases of these entities.

Recognition and Measurement

Income tax expense comprises current and deferred tax. Current income tax expense or benefit is the tax on the current period's taxable income/taxable loss based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities. It is calculated based on tax laws that have been enacted or are substantially enacted by the end of the reporting period.

Current tax payable is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to the income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

It is expected that the parent entity Wellard Limited, and its Australian subsidiaries will form a tax consolidated group with effect from 11 December 2015. The parent entity and subsidiaries in the tax consolidated group will enter into a tax funding agreement such that each entity in the tax consolidated group recognises the assets, liabilities, revenues and expenses in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances; and
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the parent entity as intercompany payables or receivables.

Adjustments may be made for transactions and events occurring within the tax consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the head entity level of the group. The tax consolidated group will enter into a tax sharing agreement to limit the liability of subsidiaries in the tax consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

6. Earnings Per Share

	2016 Cents	2015 Cents
(a) Basic (Loss) Per Share		
From continuing operations attributable to the ordinary equity holders of the company	(6.4)	(0.1)
(b) Diluted (Loss) Per Share		
From continuing operations attributable to the ordinary equity holders of the company	(6.4)	(0.1)

	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator	364,121,889	320,415,827

Recognition and Measurement

Basic earnings per share is calculated by dividing:

- The profit attributable to the owners of the company, excluding any costs of servicing equity other than ordinary shares,

by

- The weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares.

The number of ordinary shares outstanding has been adjusted retrospectively back to 1 July 2014 for the capital reconstruction, which occurred on 11 December 2015, as described in note 10. The comparative EPS balances have been recalculated accordingly.

7. Loans and Borrowings

	Note	2016 $'000	2015 $'000
Current			
Bank loans - secured		125,570	26,784
Finance leases - secured		69,963	10,430
Trade finance - unsecured		288	37
Other loans - unsecured		7,520	7,955
		203,521	**45,206**
Non-current			
Bank loans - secured		-	139,509
Finance Leases - secured		-	69,029
		-	**208,538**
Total Current and Non-Current		**203,521**	**253,744**

Bank loans consist of a working capital facility and three separate vessel finance agreements from financiers. The working capital facility is secured by a security interest granted by Wellard over all of its acquired property in Australia and shares in certain overseas subsidiaries. As at 30 June 2016, $40,000,000 of the working capital facility is undrawn. The vessel finance agreements are secured by the carrying amount of its pledged assets and are supported by a guarantee from the Company.

At 30 June 2016, the Group has two finance lease arrangements, structured as sale and leaseback agreements. The finance lease arrangements are secured by the carrying amounts of its pledged assets and are supported by a guarantee from the Company. At various stages throughout the lease term, the Group will be entitled to buy back the vessels for an agreed price. The agreed purchase price reduces over the term of the lease. The Group is obliged to buy back both of the vessels for an agreed price at the expiry of the lease. The sale and leaseback agreements also include other terms such as undertakings, prepayment and events of default typical for agreements of this nature. Any breach of these undertaking or representations, or occurrence of the events of default, may lead to the cancellation of the sale and leaseback agreements, and either immediate re-delivery to the financier, or the balance of all lease and buy-back payments falling due and payable.

Refer to note 1(c) for details about covenants and the classification of borrowings as a current liability.

Terms and conditions of outstanding loans were as follows:

Name	Currency	Year of Maturity	2016 $'000	2015 $'000
Secured bank loans	AUD	2018	10,000	-
Secured bank loans	USD	2026	79,046	-
Secured bank loans	USD	2018	-	120,275
Secured bank loans	USD	2022	19,522	22,098
Secured bank loans	USD	2022	17,182	19,482
Unsecured loan	AUD	2016	4,586	7,954
Unsecured bank loans	USD	2016	2,934	4,364
Trade Asset finance	USD	2019	50,102	55,918
Trade Asset finance	USD	2019	19,861	23,541
Trade Asset finance	AUD	2017	220	-
Trade Asset finance	BRL	2018	68	112
			203,521	**253,744**

The secured bank loans are secured over property, plant and equipment with a carrying value of $290,075,613 (2015: $205,077,011) detailed in Note 19.

The maturity profile of principle repayments is set out in note 18(c).

Recognition and Measurement

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

8. Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and in hand	31,930	18,182
	31,930	**18,182**

Recognition and Measurement

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the statement of cash flows, cash includes cash on hand, demand deposits and cash equivalents.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for carrying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

9. Cash Flow Statement Reconciliation

	2016 $'000	2015 $'000
Reconciliation of net profit after tax to net cash flows from operations:		
(Loss) after tax	**(23,323)**	**(197)**
(a) Non cash flows in profit:		
Depreciation & amortisation	20,789	21,739
Income tax benefit	(7,468)	(2,002)
Non-controlling interest	-	7
Bad and doubtful debts	1,523	2,968
Net loss/(gain) on disposal of property, plant and equipment	(20)	-
Net loss/(gain) on fair value of derivative	(1,369)	1
Share based payments expenses	18,014	-
Change in fair value of inventories and biological assets	(3,763)	(211)
Asset write down	-	1,041
Realised foreign exchange losses on loans	12,861	-
Unrealised foreign exchange (gains)/losses	(5,796)	4,748
(b) Changes in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade and other receivables	(158,125)	2,854
Change in trade and other receivables due to related parties	158,285	-
Change in inventories and biological assets	(33,161)	(327)
Change in other current assets	(16,223)	(1,676)
Change in other current assets due to related parties	3,865	-
Change in income tax receivable	(253)	78
Change in net deferred tax assets/liabilities	2,175	(1,369)
Change in trade and other payables	(26,286)	12,446
Change in trade and other payables due to related parties	29,509	-
Change in deferred revenue	9,916	-
Change in provisions	(1,146)	159
	(19,996)	**40,259**

10. Issued Capital

	2016 $'000	2015 $'000
Issued Capital		
At beginning of reporting period	56,940	56,940
Restructure of Group:		
Reverse existing capital resulting from restructure (see note 31)	(56,940)	-
Ordinary shares issued to existing shareholder	257,150	-
Ordinary shares issued	298,850	-
Costs related to issuing securities net of tax effect	(7,485)	-
At the end of reporting period	**548,515**	**56,940**

The Group has authorised share capital amounting to 400,000,000 ordinary shares issued and fully paid.

Movements in ordinary shares:

	2016 '000	2015 '000
At the beginning of reporting period	-	-
Shares issued during year	400,000	-
At the end of reporting period	**400,000**	-

Terms and Conditions

Issued share capital consists of ordinary shares only, with equal voting rights. Ordinary shares have no par value. Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

Wellard Limited was registered in Western Australia on 10 September 2015 with 1,000 Shares being issued to WGH (999 Shares) and Camuna Pte Ltd (1 Share).

The following shares were issued during the 2016 Financial Year:

a) 215,000,000 Shares on 14 December 2015 to subscribers under Wellard's IPO;

b) 159,999,000 Shares on 14 December 2015 to WGH in consideration for the transfer of the Wellard business and associated subsidiaries. 13,680,000 of these Shares were immediately transferred to current and past employees, consultants, and others not part of the Wellard Group as a one-off IPO bonus. This bonus was provided by WGH, not Wellard, and the amount of the bonus provided to each participant was determined by WGH; and

c) 25,000,000 Shares on 14 December 2015 to Standard Chartered Private Equity Limited (**SCPEL**). The Shares issued to SCPEL formed part of the purchase price payable to WGH in relation to the purchase of the Wellard business, which were issued in part satisfaction of pre-existing obligations owed to SCPEL by WGH.

Recognition and Measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

11. Inventories

	2016 $'000	2015 $'000
Raw materials and stores	11,330	6,606
Finished goods	2,013	1,656
	13,343	**8,262**

Raw Materials and Stores and Finished Goods

Raw materials and stores and finished goods are reported at the lower of cost and net realisable value except for bunker fuel.

Recognition and Measurement

Bunker fuel used for the operation of the vessels and with a high turnover rate is not written down to the net realisable value when the market price falls below cost if the overall shipping activity is expected to be profitable.

All other inventories are measured at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- fuel: purchase cost on a first in, first out basis;
- raw materials and consumables: purchase cost on a first in, first out basis; and
- finished goods and work in progress: cost of direct material and labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of production and the estimated costs necessary to complete the sale.

During the current financial year, there were no write downs of inventory to net realisable value.

No inventory is pledged as a security.

12. Biological Assets

	2016 $'000	2015 $'000
Livestock:		
Balance at beginning of the year	10,591	10,597
Purchases	382,835	327,435
Fair value adjustments	3,763	-
Sales	(358,517)	(327,441)
	38,672	**10,591**

At balance date the Group had 11,127 sheep (2015: 41) valued at $1,228,123 (2015: $18,217) and 38,608 cattle (2015: 12,256) valued at $37,443,673 (2015: $10,572,642) on hand.

Cattle and sheep are held for short term trading and feeding purposes and at the reporting date a fair value increment of $915,188 measured in Level 2 and $2,847,851 measured in Level 3 (2015: Nil) was recognised in the income statement.

Recognition and Measurement

Biological assets in the statement of financial position comprise cattle and sheep and are measured on initial recognition and at each reporting date at their fair value less estimated point of sale costs. The fair value is determined on the actual selling prices approximating those at period end less estimated point of sale costs. Fair value increments or decrements are recognised in profit or loss.

Where fair value cannot be measured reliably, biological assets are measured at cost. Net increments and decrements in the fair value of the biological assets are recognised as income or expense in profit or loss, determined as:

- the difference between the total fair value of the biological assets recognised at the beginning of the period and the total fair value of the biological assets recognised at the end of the period; and
- costs incurred in maintaining or enhancing the biological assets recognised at the beginning of the period and the total fair value of the biological assets recognised at the end of the period.

Livestock on hand that have not yet been sold at the reporting date are valued internally by the Group as there is no observable market for them. The value is based on the estimated price per kilogram and the changes for the weight of each animal class as it changes through natural biological transformation. The key factors affecting the value of each animal are price per kilogram and weight. Significant increases or decreases in any of the significant unobservable valuation inputs for livestock in isolation would result in significant lower or higher fair value measurement.

Valuation of Biological Assets

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its biological assets into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Refer to note 18 for commodity price risk management.

The following table presents the biological assets measured and recognised at fair value at 30 June 2016 on a recurring basis.

	2016			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Biological assets	-	23,648	15,024	38,672
	-	**23,648**	**15,024**	**38,672**

	2015			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Biological assets	-	7,607	2,984	10,591
	-	**7,607**	**2,984**	**10,591**

Level 3 Biological assets are summarised as follows:

	2016 $'000	2015 $'000
Balance at beginning of the year	2,984	245
Purchases	12,871	2,738
Fair value adjustments	2,848	-
Sales	(3,679)	-
	15,024	**2,984**

Level 2: The fair value of biological assets that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value biological assets are observable, the biological asset is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the biological asset is included in level 3.

Management determined that Level 2 is the most appropriate measurement for livestock on hand where the market data of unit prices are available and sales information can be referenced for valuation purposes. Where such information cannot be reliably determined, Level 3 measurement is used. The livestock in Brazil is valued at Level 3.

13. Derivative Financial Assets

	2016	2015
Commodity swap	1,369	-
	1,369	-

Derivative financial assets consist of a bunker swap contract entered into with a financial institution. This asset is designated to be measured at fair value in profit and loss as per AASB 139 as a derivative financial instrument and is adjusted for directly attributable transaction costs.

Refer to note 18 on risk management with the commodity swap.

Recognition and Measurement

Classification

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of the financial instruments at initial recognition.

Derivative Financial Instruments

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Foreign Exchange Contracts

The Group enters into foreign exchange contracts to manage its exposure against foreign currency risk in line with the entity's risk management strategy.

14. Trade and Other Receivables

	2016 $'000	2015 $'000
Current		
Trade receivables	18,605	36,826
Provision for impairment	(1,710)	-
Trade receivables - WGH Group entities	18,545	3,466
Other receivables	34,689	11,588
Loan to other related entities	334	3,177
	70,463	**55,057**
Loans to WGH Group related parties		
Loan to WGH Rural Services Pty Ltd	-	80
Loan to WGH Holdings Pty Ltd	-	166,080
Loan to WGH International Pty Ltd	-	27
Loan to Giovi Limited	-	43
Loan to Wellard Philippines	-	7,134
	70,463	**228,421**

Trade and other receivables are non-interest bearing and are generally on 30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

At 30 June 2015, included in loans to other related entities is AUD $3,177,166 receivable from an intergroup entity, Portimor S.A. This entity was acquired by the Group in July 2015.

The financial position and performance of Wellard Ltd was affected by the following events and transactions during the reporting period:

- Wellard Limited was incorporated on 10 September 2015 with a view to become the ultimate holding company of all the entities which formed part of the Wellard Group which listed on the Australian Securities Exchange (ASX) on 10 December 2015.
- Due to the December 2015 Initial Public Offering, the Group restructured and those companies that were not acquired by Wellard Limited Pty Ltd are listed under Loans to WGH Group entities above.

Recognition and Measurement

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment allowance. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

An impairment is recognised when there is objective evidence that an individual trade receivable may not be collectible. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

For the year ended 30 June 2016 there is a doubtful debt provision of $1,710,455. For the year ended 30 June 2015 bad debts written down for trade receivables totaled $1,994,000 and for loan receivables totaled $1,200,000. These amounts are recognised in operating expenses in the Profit and Loss statement.

15. Other Assets

	2016 $'000	2015 $'000
Current		
Prepayments (a)	13,034	1,835
Debt establishment fees	275	-
Other assets (b)	5,926	1,333
	19,235	**3,168**
Non-current		
Other assets	156	-
	156	**-**

(a) For the year ended 30 June 2016, included in prepayments is an amount of $4,896,672 which relates to suppliers' advances in Brazil.

(b) Included in other assets is an amount of $4,019,293 which relates to a receivable from an entity controlled by WGH. Refer to note 27 for further information regarding this balance.

16. Trade and Other Payables

	2016 $'000	2015 $'000
Current		
Trade payables	51,976	44,676
Trade payables - WGH Group entities	133	178
Sundry payables and accrued expenses	7,288	11,142
Derivative liability	-	224
	59,397	**56,220**
Loan to other related parties:		
Loan to WGH Holdings Pty Ltd	-	29,463
	-	**29,463**
	59,397	**85,683**

Recognition and Measurement

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are non-interest bearing and are normally settled on 7 - 30 day terms. Refer to note 27 for further information regarding related party transactions.

17. Deferred Revenue

	2016 $'000	2015 $'000
Current		
Deferred revenue	21,104	11,188
	21,104	**11,188**

Recognition and Measurement

These amounts represent payments collected but not earned at the end of the reporting period. These payments are recognised as revenue when the goods are delivered or services are provided.

18. Financial Risk Management

Risk	Exposure arising from	Measurement	Management
Market risk - commodity price	Fluctuations in market price of commodities sold	Gross margin measurement	Shifting to markets where the cost of commodities is cheaper
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	None
Market risk - foreign exchange	Future foreign exchange conversions	Cash flow forecasting	Forward foreign exchange contracts
Credit risk	Trade receivables	Ageing analysis	Committed credit lines and prepaid orders
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecast	Availability of committed credit lines and borrowing facilities

a) Market Risk

(i) Commodity Price Risk

Livestock

Commodity price risk arises from fluctuations in domestic and international livestock market prices. These can be caused by a change in prices due to timing differences between entering into a sales contract and procuring the livestock required to fill its orders from customers or environmental factors in the countries the livestock is sourced from and can impact the number of livestock. This can result in losses or reduced profitability on individual shipments and on Wellard's overall financial performance.

Wellard manages this risk through a combination of business processes, including the terms of its contracts with customers who may permit some changes in prices, its market knowledge and the structure of its business model which reduces as much as possible the time between contracting to supply and purchasing of livestock. These risk management strategies reduce commodity price risk relating to the procurement of inventory but does not eliminate the risk.

Commodity price risk can be affected by environmental and geopolitical factors. Wellard has access to diversified international supply bases which reduces commodity price risk from environmental and geopolitical factors relating to the procurement of inventory.

For the financial year ended 30 June 2015 the exposure to commodity price risk relating to livestock was immaterial.

For the financial year ended 30 June 2016 $21.5 million of livestock on hand was exposed to fluctuations in market prices.

Fuel

Wellard is exposed to commodity price volatility for the fuel required to operate its fleet of vessels. Wellard management manages this risk with commodity swaps and physical hedge to partially hedge its exposure to fuel price volatility.

(ii) Foreign Exchange Risk

Wellard's reporting currency is Australian Dollars. However, a substantial proportion of Wellard's sales revenue, debt, capital expenditure and cash flows are generated in various other currencies, predominantly in United States Dollars. Any adverse exchange rate fluctuations or volatility in these currencies can have an adverse effect on its financial performance and position.

Wellard's exposure to the risk of changes in foreign exchange rates relates primarily to Wellard's livestock marketing and export operations and its debt facilities that are denominated in United States Dollars.

Wellard's livestock marketing and export operations are exposed to foreign currency risk through the purchase of livestock in Australia in Australian Dollars and the sale of these livestock to foreign customers in United States Dollars. Wellard is only exposed for a short period whilst the inventory for shipments are procured and shipped. This risk arises from the timing difference between incurring expenses related to a sale in Australian Dollars and receiving payment for the sale in US Dollars, during which time there could be an adverse movement in the exchange rate.

To manage the risk of exchange rate movements, Wellard enters into short-term foreign exchange contracts to sell United States Dollars for the costs incurred in Australian Dollars. The contracts are timed to mature when payments for major shipments are scheduled to be received.

Exposure

The group's exposure to US Dollar currency risk at the end of the reporting period, expressed in Australian Dollar, was as follows:

	2016 $'000	2015 $'000
Financial assets		
Cash and Cash equivalents	13,167	17,156
Trade and other Receivables	31,386	11,888
	44,553	**29,044**
Financial liabilities		
Trade and other Payables	37,775	42,612
Loans and Borrowings	188,648	245,678
	226,423	**288,290**

A change of 10 per cent in the Australian Dollar would have a net impact on the above financial assets and liabilities of $20.2 million (2015: $11.7 million), before the impact of taxation. This analysis assumes that all other variables remain constant.

Amounts Recognised in Profit or Loss and Other Comprehensive Income

During the year, the following foreign-exchange related amounts were recognised in profit and loss:

	2016 $'000	2015 $'000
Realised Foreign Exchange Gain (Loss)	(12,432)	(2,176)
Unrealised Foreign Exchange Gain (Loss)	5,796	(4,660)
	(6,636)	**(6,836)**

(iii) Interest rate risk

Wellard does not enter into interest rate swaps on debt instruments subject to floating interest rates.

Changes to interest rates will affect borrowings which bear interest at a floating rate. Any increase in interest rates will affects Wellard's cost of servicing these borrowings which may adversely affect its financial position.

Sensitivity:

The exposure of the Group's borrowings to variable interest rate changes at the end of the reporting period are as follows:

	2016 $'000	2015 $'000
Current and non-current borrowings	128,972	166,331

A change of 10 basis points (0.1%) in interest rates of variable borrowings would have an impact of $128,972 (2015: $166,331) on the Group's pre-tax profit and loss. This analysis assumes that all other variables remain constant, including the AUD/USD exchange rate.

b) **Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to Wellard. Wellard is exposed to some counterparty credit risk arising from its operating activities, primarily from trade receivables. The ageing of these receivables is as follows:

	2016 $'000	2015 $'000
1 to 3 months	13,763	36,366
3 to 6 months	1,292	(475)
Over 6 months	3,550	935
	18,605	**36,826**

The risk of non-payment by customers is an inherent risk of Wellard's business, due to sales typically involving individual high value shipments. Wellard seeks to mitigate the impact of this risk by building long-term relationships with its customers, obtaining partial payment before loading and requiring letters of credit to partially secure payment in a number of jurisdictions. In addition, trade receivable balances are monitored on a weekly basis by management.

Set out below is a summary of the concentration of receivables by currency:

	2016 $'000	2015 $'000
US$	14,826	33,608
A$	3,333	3,099
Other	446	119
	18,605	**36,826**

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2016 $'000	2015 $'000
Balance at beginning of the year	-	-
Provision for impairment recognized during the year	1,956	3,195
Receivables written off during the year as uncollectible	(246)	(3,195)
	1,710	**-**

Impaired Trade Receivables

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that impairment has been incurred but not yet is been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit or loss within operating expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

Management

Owing to the nature of long-term client relationships which relies on a shared commitment to continuing trade and future growth there has historically been a low number of debtor impairment provisions and bad debts expressed as a percentage of revenue. The timing of customer payments for shipments and the requirement to pay a deposit mitigates the risk of large debtor impairments.

Amounts Recognised in Profit or Loss

During the year, the following losses were recognised in profit or loss in relation to impaired receivables:

	2016 $'000	2015 $'000
Impairment losses		
- individually impaired trade receivables	1,524	1,994
- impaired other receivable previously recorded as loan receivable	-	1,200
	1,524	**3,194**

c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of cash and committed credit facilities to meet the financial obligations of the Group. Liquidity risk arises from the Group's financial liabilities and the subsequent ability to repay the financial liabilities as and when it falls due.

The Group's objective is to maintain a balance between continuity of funding for working capital and growth capital spend and flexibility through the use of a bank overdraft while minimising its interest expense.

Wellard manages its liquidity risk by monitoring and forecasting the total cash inflows and outflows expected on a weekly, monthly and semi-annual basis. This rolling forecast is updated weekly. The forecast includes projections of cash outflows from overhead and supplier payments, interest obligations, the repayment of debt facilities and capital expenditure when these fall due. These projected outflows are offset against the collection of debtors by foreign currency to determine the optimal foreign exchange hedging positions.

The Group has established liquidity risk reporting that reflect expectations of management of the expected settlement of financial assets and liabilities.

The below liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as at each reporting date. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

Working Capital Facility

The Group had access to the following undrawn borrowing facility at the end of the reporting period. The working capital facility limit is $50,000,000 (2015: Nil) and at 30 June 2016 was drawn to $10,000,000 (2015: Nil). Subject to the continuance of satisfactory financial covenants with its financier, the bank overdraft may be drawn at any time in Australian Dollars. The facility matures on 31 December 2017. The existing working capital facility was established when the Wellard operations were primarily focussed on sourcing cattle from Australia as it only provides limited financial support to the South American operations. With the increased cattle prices in Australia, Wellard has reduced its business in Australia and increased its business in South America. As a consequence, the working capital facility currently in place is of limited use for the South American operations. Wellard is currently seeking to establish a new working capital facility for its South American operations and to amend the existing working capital facility to improve its workability for its existing operations.

Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- All non-derivative financial liabilities;
- All trade payables; and

The amounts disclosed in the table are the contractual undiscounted cash flows:

Contractual Maturities of Financial Liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2016							
Non-interest bearing	52,109	-	-	-	-	52,109	**52,109**
Fixed rate	7,999	7,869	15,869	45,835	-	77,572	**69,963**
Variable rate	17,062	9,114	27,581	49,027	49,762	152,546	**133,558**
	77,170	**16,983**	**43,450**	**94,862**	**49,762**	**282,227**	**255,630**
At 30 June 2015							
Non-interest bearing	44,854	-	-	-	-	44,854	**44,854**
Fixed rate	10,785	9,462	20,247	64,226	-	104,720	**79,459**
Variable rate	37,821	3,546	110,632	19,445	12,402	183,846	**174,285**
	93,460	**13,008**	**130,879**	**83,671**	**12,402**	**333,420**	**298,598**

d) Capital Management

The primary objective of the Wellard Group is a satisfactory return to its shareholders. The Group aims to achieve this objective by:

- improving returns on invested capital relative to that cost of capital; and
- ensuring a satisfactory return is made on any new capital invested.

Capital is defined as the combination of shareholders' equity, reserves and net debt. The Board is responsible for monitoring and approving the capital management framework within which management operates. The purpose of the framework is to safeguard the Group's ability to continue as a going concern whilst optimising its debt and equity structure.

The Group manages its capital through various means, including:

- adjusting the amount of ordinary dividends paid to shareholders;
- raising or returning capital; and
- raising or repaying debt for working capital requirements, capital expenditure and acquisitions.

The Group has a number of borrowing facilities which have covenants that need to be satisfied. Refer to note 7 for further details on borrowings covenant compliance.

19. Property, Plant & Equipment

	Freehold land at Cost $'000	Sheds and Buildings $'000	Plant and Equipment $'000	Total $'000
Year ended 30 June 2016				
Opening net book amount	389	1,308	203,380	**205,077**
Additions	5,908	148	88,574	**94,630**
Disposals	-	-	(352)	**(352)**
Foreign exchange revaluation	-	-	9,045	**9,045**
Depreciation expense	-	(60)	(18,264)	**(18,324)**
Closing net book amount	**6,297**	**1,396**	**282,383**	**290,076**
Cost	6,322	1,817	380,735	**388,874**
Accumulated depreciation and impairment	(25)	(421)	(98,352)	**(98,798)**
Net book amount	**6,297**	**1,396**	**282,383**	**290,076**
Year ended 30 June 2015				
Opening net book amount	391	1,164	139,861	**141,416**
Additions	-	197	101,050	**101,247**
Disposals	-	-	(56,538)	**(56,538)**
Transfers	-	-	261	**261**
Foreign exchange revaluation	-	-	36,798	**36,798**
Depreciation expense	(2)	(53)	(18,052)	**(18,107)**
Closing net book amount	**389**	**1,308**	**203,380**	**205,077**
Cost	414	1,669	285,030	**287,113**
Accumulated depreciation and impairment	(25)	(361)	(81,650)	**(82,036)**
Net book amount	**389**	**1,308**	**203,380**	**205,077**

Property, plant and equipment with a carrying amount of $290,076,000 (2015: $205,077,011) are pledged as securities for the current and non-current liabilities as disclosed in note 7.

Included in plant and equipment are assets under construction of $9,591,729 (2015: $52,798)

Recognition and Measurement

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Vessels

Vessels are measured on a cost basis. Depreciation rate: 4.0% - 5.0%, straight line basis after deducting expected scrap value of the vessel.

Land and Buildings

Land and buildings are measured on a cost basis. Depreciation rate: 2.5% - 20.0%, straight line basis.

Plant and Equipment

Plant and equipment is measured on a cost basis. Depreciation rate: 4.5% - 40.0%, straight line basis.

Improvements

Improvements are measured on a cost basis. Depreciation rate: 6.0% - 11.2%, straight line basis.

Depreciation

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land owned by the Group is freehold land and accordingly is not depreciated.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Assets under construction are measured at cost and not depreciated until the assets are ready for use.

Useful life and residual value of livestock carrying vessels

Management reviews the appropriateness of the useful life and residual value of vessels at each balance date. Certain estimates regarding the useful life and residual value of vessels are made by management based on past experience and these are in line with the industry. Changes in the expected level of usage, scrap value of steel and market factors could impact the economic useful life and residual value of the vessels. When there is a material change in the useful life and residual value of vessels, such a change will impact both the depreciation charges in the period in which the changes arise and future depreciation charges.

20. Intangible Assets

	Goodwill $'000	Development costs $'000	Intellectual property $'000	Client relationships $'000	Software $'000	Total $'000
Year ended 30 June 2016						
Opening net book amount	1,620	3	182	1,320	-	**3,125**
Additions	-	-	-	-	3,993	**3,993**
Foreign exchange revaluation	-	-	-	-	(91)	**(91)**
Amortisation and impairment charge	(1,620)	(3)	(182)	(657)	(3)	**(2,465)**
Closing net book amount	**-**	**-**	**-**	**663**	**3,899**	**4,562**
Cost	-	80	1,500	3,300	3,902	**8,782**
Accumulated amortisation and impairments	-	(80)	(1,500)	(2,637)	(3)	**(4,220)**
Net book amount	**-**	**-**	**-**	**663**	**3,899**	**4,562**
Year ended 30 June 2015						
Opening net book amount	1,620	2,083	682	1,980	-	**6,365**
Additions	-	2	-	-	-	**2**
Revaluations	-	70	-	-	-	**70**
Foreign exchange revaluation	-	320	-	-	-	**320**
Amortisation and impairment charge	-	(2,472)	(500)	(660)	-	**(3,632)**
Closing net book amount	**1,620**	**3**	**182**	**1,320**	**-**	**3,125**
Cost	1,620	669	1,750	3,630	-	**7,669**
Accumulated amortisation and	-	(666)	(1,568)	(2,310)	-	**(4,544)**
Net book amount	**1,620**	**3**	**182**	**1,320**	**-**	**3,125**

In the 2013 financial year, the Group acquired Beaufort River Meats as a going concern and Goodwill of $1,620,000 was recognised. During the financial year ended 30 June 2016, the Group acquired Portimor SA and Goodwill of $40,100 was recognised. Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, less the fair value of the identifiable assets acquired and liabilities assumed.

In July 2012 the Group acquired a business for $3,300,000 including the client relationships, existing compliance processes and protocols crucial to live export of cattle to China which was recognised as an intangible asset and amortised over five years.

Software consists of amounts spent on the implementation of an enterprise resource planning system since the selection phase was concluded and has been in use since May 2016. Software is amortised over ten years.

Recognition and Measurement

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Software

Software is measured initially at the cost of acquisition and amortised over the useful life of the software. Expenditure on software development activities is capitalised only when it is expected that future benefits will exceed the deferred costs, and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the intangible asset over its estimated useful life (not exceeding ten years) commencing when the intangible asset is available for use. Other development expenditure is recognised as an expense when incurred.

Assets Acquired Separately or from a Business Combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets are capitalised when the Group is certain that there are future economic benefits that will arise from these assets. Other internally generated intangible assets that do not fit this recognition criterion are charged against profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (**CGU**) level.

Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each period to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Recoverability of Goodwill

Goodwill is allocated to CGUs according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of ten years. Management's determination of cash flow projections and gross margins is based on past performance and its expectation for the future.

Recoverability of Non-Financial Assets other than Goodwill

All assets are assessed for impairment at each period end by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

21. Provisions

	2016 $'000	2015 $'000
Current		
Employee entitlements (a)	1,272	948
	1,272	**948**
Non-current		
Employee entitlements (a)	257	176
Deferred settlement (b)	650	2,200
	907	**2,376**

(a) Nature and Timing of Provisions

Provisions for Employee Entitlements

A provision has been recognised for employee entitlements related to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data.

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. A provision of $1,272,386 (2015: $947,597) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

	2016 $'000	2015 $'000
Current leave obligations expected to be settled after 12 months	642	598

(b) Deferred settlement of land and business acquisitions

	2016	2015
Opening balance	2,200	2,200
Arising during the year	650	-
Amounts paid	(2,200)	-
Balance at end of the year	**650**	**2,200**

A provision of $2,200,000 has been recognised in Wellard Animal Processing Pty Ltd for the deferred settlement of Beaufort River Meats abattoir purchased in February 2013. As at 30 June 2014, Wellard has made the first two payments totaling $2,900,000. Wellard Animal Processing Pty Ltd settled the remaining $2,200,000 as per the Agreement in August 2015, and it was paid in full during the year ended 30 June 2016. An additional provision of $650,000 for the purchase of land was recognised during the year, and it's due to be settled in February 2018.

Recognition and Measurement

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Short-term Employee Benefit Obligations

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within 12 months of the end of the period are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Long-term Employee Benefit Obligations

Liabilities arising in respect of long service leave and annual leave which are not expected to be settled within 12 months of the end of the period are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the end of the period. Employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the period, regardless of when the actual settlement is expected to occur.

Termination Benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the Group provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy. The Group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

22. Commitments

Capital Commitments

Significant capital expenditure which consists of a vessel under construction due for completion by the third quarter of the 2018 contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	2016 $'000	2015 $'000
Property, plant and equipment	78,676	105,259
	78,676	**105,259**

Commitments for non-cancelable leases

Commitments for non-cancelable leases contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	2016 $'000	2015 $'000
Within 1 year	831	-
2 to 5 years	2,743	-
Greater than 5 years	-	-
	3,573	**-**

23. Contingent Assets and Liabilities

Contingent Asset

Subsequent to year end Group lodged a claim (excluding deductibles) with its insurers relating to the repairs arising from the twin crankshaft failures on the MV Ocean Swagman and MV Ocean Outback in FY 2016.

The insurance claim process is in progress and the final settlement amount has not been agreed however Management expects that an amount to be received from the claim of approximately $3.5 million is probable.

24. Subsequent Events

Since the end of the financial year:

- Australian conditions remain weak as a result of the continued tightening of supply of Australian cattle. Cattle prices reached record highs in the second half of FY 2016. This combined with a reluctance from traditional South East Asian customers to accept further price increases continues to impact revenue and gross margin. Wellard has focused its attention on sourcing cattle in South America;
- Wellard has entered into a revised agreement to delay the delivery of the MV Ocean Kelpie to the third quarter of 2018 and changed the payment schedule to match the new delivery timetable;
- The Wellard Group has submitted its insurance claim (excluding deductibles) for the cost of repairs arising from the twin crankshaft failures on the MV Ocean Swagman and MV Ocean Outback during FY 2016;
- Ms Sharon Warburton resigned as a non-executive Director of Wellard on 26 August 2016;
- Ms Yasmin Broughton resigned as Company Secretary and General Counsel of Wellard on 26 August 2016 and is serving out her notice period;
- At 30 June 2016 Wellard had a receivable owing by WGH of $15.8 million. On 19 September 2016, WGH advised that they had entered into refinancing agreements (**WGH Refinancing**) to enable WGH to repay the $15.8 million (plus accrued interest of $0.5 million) owed to Wellard. This payment from WGH of $16.3 million was received in full on 21 September 2016. Refer to ASX announcements of 19 and 21 September for further details; and
- Wellard reached agreement with the provider of the one of the secured loan facility providers to amend one of the financial covenants and waive another financial covenant such that there is no longer an anticipated breach of these covenants at 31 December 2016.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

25. Significant Items

The financial position and performance of the Group was affected by the following events and transactions during the reporting period:

- Wellard Limited was incorporated 10 September 2015 with a view to be the ultimate holding company of all the entities which formed part of the Wellard Group which listed on the Australian Securities Exchange (**ASX**) on 10 December 2015.
- The acquisition of all subsidiaries listed in note 14 as part of the Group restructure which gave rise to the common control reserve set out in note 32.

26. Controlled Entities

Interests held in controlled entities is set out below:

	Country of incorporation	Percentage Owned (%)* 2016	2015
Parent Entity:			
Wellard Limited	Australia		
Subsidiaries of Wellard Ltd:			
Wellard Feeds Pty Ltd	Australia	100	100
Wellard Rural Exports Pty Ltd	Australia	100	100
Wellard Animal Production Pty Ltd	Australia	100	100
Wellard NZ Ltd	New Zealand	100	100
Wellard Ships Pte Ltd	Singapore	100	100
Wellard Singapore Pte Ltd	Singapore	100	-
Ocean Drover Pte Ltd	Singapore	100	100
Ocean Shearer Pte Ltd	Singapore	100	-
Niuyang Express Pte Ltd	Singapore	100	100
Welltech Marine Pte Ltd	Singapore	100	-
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Portimor SA	Uruguay	100	-
Wellana Uluslararasi Hayvancilik Anonim Sirketi	Turkey	50	-

Subsidiaries

Subsidiaries are entities controlled by Wellard Limited. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

Restructuring of the Wellard Group due to Initial Public Offering

The Group has elected to account for the acquisition of its entities and net assets as common control transactions. As a consequence, no acquisition accounting in the form of a purchase price allocation was undertaken and therefore the assets and liabilities have not been remeasured to fair value nor has any goodwill arisen. All the assets and liabilities acquired by the Group as a result of the restructure were recognised at values consistent with the carrying value of those assets and liabilities immediately prior to the restructure.

As required for statutory reporting purposes, the financial information in this financial report has been presented for the year ended 30 June 2016 and its comparative results. In this regard, the Group statutory financial information includes only the results of the current Group's operations, including reporting dates in this report which relates to periods prior to the current Group being formed on 12 December 2015.

Transactions Eliminated on Consolidation

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Foreign Currency Translation and Balances

Functional and Presentation Currency

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is Wellard Limited's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the period.

Except for certain foreign currency transactions, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the period.

Entities that have a functional currency different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

27. Related Party Transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 0.

(b) Key Management Personnel Compensation

	2016 $	2015 $
Short term benefits	2,697,325	1,142,735
Long term benefits	73,007	38,878
Post employment benefits	67,376	27,495
Share based payments	7,339,200	-
	10,176,908	**1,209,108**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 15 to 25.

(c) Transactions with other Related Parties

The following transactions occurred with related parties:

	2016 $	2015 $
Sales and purchases of goods and services:		
Key management personnel *(d)*	5,260,534	587,867
Controlled by key management personnel *(d)*	(2,512,616)	745,156
Lease payments made to entities controlled by key management personnel *(d)*	654,199	975,722
Interest expense - to entities controlled by key management personnel	(67,700)	(150,743)
Interest income - to entities controlled by key management personnel	281,065	-
Other transactions:		
Payments and receipts on behalf of related parties	151,451,245	162,360,671
Separation agreement (see *(g)* below)	15,796,000	-

(d) Purchases from Entities Controlled by Key Management Personnel

The Group acquired the following goods and services from entities that are controlled by members of the Group's key management personnel:

- rental of office buildings in Italy and Australia
- rental of feedlot premises
- charter of aircraft
- purchases of bulls, calves and heifers
- purchases of sheep and lambs
- purchases or lupins, grains and feedstock

(e) Outstanding Balances from Sales/ Purchases of Goods and Services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2016 $	2015 $
Current payables (purchases of goods and services)		
Entities controlled by key management personnel	132,992	178,285
Current receivables (sales of goods and services)		
Entities controlled by key management personnel	2,467,674	3,466,222
Current receivables (Separation Agreement)		
Entities controlled by key management personnel	15,796,000	-

(f) Loans/ to from related parties

Loans to entities that are controlled by members of the Groups KMP

	2016 $	2015 $
Beginning of the year	151,785,159	(10,575,512)
Loans advanced	218,902,798	224,483,445
Loan repayments received	(366,334,950)	(62,122,774)
End of year	**4,353,207**	**151,785,159**

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

The amount outstanding at 30 June 2016 includes $4,019,293 owing by the Wellao Joint Venture. WGH has a 50% joint venture interest in the Wellao Joint Venture. It is the intention that this 50% interest in the Wellao Joint Venture will be transferred from WGH to Wellard at no cost in FY 2017.

(g) Terms and Conditions

The Separation Agreement noted in (c) above relates to the adjustment to complete financial settlement between WGH and Wellard Limited, and includes adjustments as evidenced by the Separation Agreement and WGH Share Sale Agreement including adjustments in working capital, drawn debt and planned capital expenditure plus interest on the outstanding amount in order to deliver the Wellard balance sheet in accordance with the Prospectus. This balance is secured by a personal guarantee by Mr Balzarini. As set out in note 24 – Subsequent Events, the Settlement Agreement amount outstanding at 30 June 2016 was repaid in full on 21 September 2016.

Wellard Rural Exports has entered into a lease with WGH Estates (a subsidiary of WGH) in relation to the existing sheep feedlot at Baldivis, Western Australia. The annual market based rent of $545,454 (excluding GST) payable in equal monthly instalments. The rent increases annually in proportion to increases in the consumer pricing index and is subject to a market based review upon exercise of each option. The initial term of the lease expires in December 2020 with 2 options for Wellard Rural Exports to extend the lease for a further 2 years each.

Wellard Limited has entered into a sublease with WGH in relation to the Wellard headquarters in Fremantle, Western Australia. Wellard Limited will pay an annual rent of $209,659 (excluding GST) payable in equal monthly instalments, which is a market based rent. The rent is subject to review annually and Wellard Limited must pay 62.56% of the rent and outgoings payable by WGH under the head lease agreement. The term of the lease expires in June 2020.

Mauro Balzarini also leases a small office in Italy to Wellard Rural Exports at an annual rent of €120,000. The initial term of the lease expires in 2021 and Wellard Rural Exports has an option to extend the lease for a further six years at the end of the initial term. The terms of the lease are otherwise generally market standard.

For the year ended 30 June 2016, Giovi provided $192,051 (2015: $596,267) of raw materials used by Wellard Feeds and $1,288,797 (2015: $144,555) used by Wellard Animal Processing. In addition, Giovi provides livestock to the Wellard Group for its livestock trading activities. There are no existing contractual arrangements and all trading activities are on arm's length terms.

During the financial year, WGH Aviation Pty Ltd made an aircraft available to Wellard Limited on a spot charter basis for business travel purposes. The spot charter rate was on an arm's length commercial term and consistent with the terms offered to other third party charterers. This aircraft charter service from WGH Aviation Pty Ltd was discontinued in April 2016.

All other outstanding balances, aside from the Separation Agreement are unsecured and are repayable in cash.

28. Parent Entity

(a) Summary Financial Information

The individual financial statements for the parent entity (Wellard Limited) show the following aggregate amounts:

	Parent 2016 $'000	Parent 2015 $'000
Balance sheet		
Current assets	91,218	-
Total assets	601,723	-
Current liabilities	10,091	-
Total liabilities	56,875	-
Shareholders' equity		
Issued capital	556,000	-
IPO Costs Capitalised	(7,485)	-
Reserves		
Share Based Payment Reserve	18,014	-
Retained earnings	(31,400)	-
Net equity	**535,129**	-
(Loss) for the period	**(31,400)**	-
Total comprehensive (loss)	**(31,400)**	-

(b) Guarantees Entered into by the Parent Entity

At 30 June 2016, the parent entity had provided guarantees to support the three vessel finance facilities and the two finance lease arrangements set out in note 7.

(c) Contingent Liabilities of the Parent Entity

The parent entity did not have any contingent liabilities as at 30 June 2016.

(d) Contractual Commitments for the Acquisition of Property, Plant and Equipment

None.

(e) Determining the Parent Entity Financial Information

The financial information of the parent entity has been prepared on the same basis as the consolidated financial statements.

As part of the restructure and Initial Public Offering of the Wellard Group, Wellard Limited became the parent entity of several Wellard Group entities by acquiring all issued shares in the relevant entities from WGH Holdings Pty Ltd. The current subsidiaries information can be found in Note 0.

29. Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2016 $	2015 $
PricewaterhouseCoopers Australia and Singapore		
(i) Audit and other assurance services		
Audit and review of financial statements	511,700	145,321
Other assurance services	-	-
Total remuneration for audit and other assurance services	**511,700**	**145,321**
(ii) Other services		
IPO assistance (non audit)	1,428,789	-
Total remuneration for other services	**1,428,789**	-
Total remuneration of PricewaterhouseCoopers Australia	**1,940,489**	**145,321**

30. Share Based Payments

During the financial year ended 30 June 2016 Wellard issued 13,000,000 ordinary shares to its executives and senior employees with a market value of $18,070,000 upon the IPO of Wellard on the Australian Securities Exchange. Fair value of the shares at the grant date was $1.39. The fair value of the shares is derived using the IPO price. Except for those issued shares subject to an escrow deed below, all other issued shares vested with the executives and employees at the issue date and carried full dividend and voting rights. Refer to the remuneration report for further information on shares issued to employees and executives.

	2016 $'000	2015 $'000
Vested	10,731	-
Subject to a deed of escrow	7,339	-
	18,070	**-**

Voluntary Employee Escrow Arrangements

Ordinary shares issued under voluntary escrow arrangements to executives of Wellard as part of the bonus and incentive scheme will remain under escrow for the period from the date of issue to the business day after the date Wellard's results for FY 2016 are released to the ASX and, in relation to 67% of the escrowed shares, for an additional period concluding on the business day after Wellard's results for FY 2017 are released to the ASX.

Recognition and Measurement

Share-based compensation benefits were provided to employees via a one-off management IPO bonus. The fair value of shares granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

31. Restructure Event

During the year, a restructure took place in preparation for the listing of the Group on the ASX. This resulted in a newly incorporated company, Wellard Limited, raising equity on the ASX to fund the purchase of several entities within the WGH Holdings Pty Ltd (previously Wellard Group Holdings Pty Ltd) business that have previously operated together as a business.

The Directors elected to account for the restructure as a capital re-organisation rather than a business combination. In the Directors' judgment, the continuation of the existing accounting values are consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to IPO and most appropriately reflects the substance of the restructure.

As such, the consolidated financial statements of Wellard Limited have been presented as a continuation of the pre-existing accounting values of assets and liabilities of the entities acquired as a result of the IPO process. Those entities being:

- Wellard Rural Exports Pty Ltd
- Wellard Animal Processing Pty Ltd
- Wellard Feeds Pty Ltd
- Wellard NZ Ltd
- Wellard Ships Pte Ltd
- Wellard Singapore Pte Ltd
- Ocean Drover Pte Ltd
- Niuyang Express Pte Ltd
- Wellard do Brasil Agronegocios Ltda
- Portimor SA
- Ocean Shearer Pte Ltd

The Directors believe that this presentation is consistent with that of other similar IPO transactions in the Australian market. The international accounting standard setters (International Accounting Standards Board) may review accounting for common control transactions. If any changes are made and are required to be applied retrospectively, there remains the risk that the accounting treatment may need to be amended from that currently adopted. Acquisition accounting would require Wellard's identifiable assets and liabilities to be fair valued by the new parent at the acquisition date in accordance with AASB 3 Business Combinations.

If the accounting treatment selected by the Directors had been acquisition accounting, the impact of the acquisition cannot be accurately determined at this time, as a formal purchase price allocation has not been carried out. Nevertheless, it would likely result in:

- a material increase in property, plant and equipment due to potential uplift to fair value and subsequent increased depreciation;
- intangible asset balances and subsequent amortisation charges in the consolidated income statements of the Group; and
- goodwill balances and the resulting potential risk and quantum of goodwill impairment charges in future periods.

The balance of any increase in net assets would be recorded as goodwill and not subject to amortisation. In addition, tax accounting is also likely to be materially different as a result of acquisition value accounting. The impact of acquisition accounting, should this subsequently be required by the IASB, is non-cash in nature and will not impact future cash flows. In addition, acquisition accounting in the consolidated financial statements of the Company should not impact the ability of the Group to pay future dividends, as the overall financial position of the parent entity, the Company, will be the determinant of whether or not dividends are able to be paid in future financial periods.

In addition to the purchase price, as the above entities were exiting the WGH Holdings Pty Ltd consolidated group, repayments of intercompany loans were facilitated. Material related party transactions have been disclosed in note 26. Immaterial transactions operating under agreed commercial terms have not been disclosed. Commercial terms have been agreed for leases of certain property.

32. Reserves

	Common control reserve $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Total reserves $'000
Year ended 30 June 2016				
Opening balance	-	-	13,450	**13,450**
Current year	(411,017)	18,014	(10,698)	**(403,701)**
Closing balance	**(411,017)**	**18,014**	**2,752**	**(390,251)**
Year ended 30 June 2015				
Opening balance	-	-	(3,858)	**(3,858)**
Currency translation differences: current year	-	-	17,308	**17,308**
Closing balance	**-**	**-**	**13,450**	**13,450**

Common control reserve

The acquisition of all subsidiaries as part of the Group Restructure Event set out in note 31 gives rise to the common control reserve. Common control reserve is the difference between the purchase consideration and the carrying value of the net assets acquired is recorded directly in equity in a separate reserve.

Foreign currency reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of, see accounting policy note 0 for details.

33. Retained Earnings

	2016 $'000	2015 $'000
Retained profit at the beginning of the year	53,814	54,011
Net (loss)	(23,323)	(197)
Balance at the end of the year	**30,491**	**53,814**
Dividends paid	**-**	**-**
Balance at the end of the year	**30,491**	**53,814**

34. Additional Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are set out below each disclosure note. These policies have been consistently applied to all the periods presented, unless otherwise stated. In addition to these accounting policies, the following policies and critical accounting estimates were applied:

(a) Impairment

Financial Assets Measured at Amortised Cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causing the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Equity Accounted Investments

An impairment loss in respect of an equity accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the policy set out below in non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial Assets

The carrying amounts of the Group non-financial assets, other than biological assets, equity accounted investments, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, so as to reflect the risks and benefits incidental to ownership.

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease. Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(b) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(c) Comparative Information

Where necessary, comparative information is reclassified and restated for consistency with current period disclosures.

(d) Critical Accounting Estimates and Judgements

The preparation of the consolidated financial report in conformity with AAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparation of this consolidated financial report, management has determined that there have been no changes in critical accounting estimates and judgments in the current period other than the extension of the useful life of the vessels in Wellard Ships as compared to the previous reporting period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in future years include:

As part of the restructure of the Group which resulted from the IPO, management relied on estimates available at the reporting date to account for the deconsolidation and net loan positions of the Group.

(e) Bonus Plan

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(f) Compliance with IFRS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. There is no material impact on the Group.	1st January 2018	Group is currently assessing whether it should adopt AASB 9 before its mandatory date.
AASB 2014-3	AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for acquisitions in joint operations	In August 2014, the AASB made limited scope amendments to AASB 11 Joint Arrangements to explicitly address the accounting for the acquisition of an interest in a joint operation. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. There is no material impact on the Group.	1st January 2016	1st January 2016
AASB 15	AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The impact on the Group is unknown.	1st January 2018	1st January 2018
AASB 2014-10	AASB 2014-10 Amendments to Australian Accounting Standards – Sales or contributions of non-monetary assets between an investor and its associates or joint ventures	The AASB has made amendments which resolve a current inconsistency between AASB 10 and AASB 128 regarding the recognition of a gain or loss on the sale or contribution of assets to an associate or a joint venture. Once adopted, the accounting treatment will depend on whether the assets that are sold or contributed constitute a business. The full gain or loss will be recognised where the investor has sold or contributed a business to an associate or joint venture. Where the assets do not constitute a business, the investor will only recognise a gain or loss to the extent of the other investors' interests. The impact on the Group is unknown.	1st January 2018	1st January 2018

AASB 2015-1	*AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*	In January 2015 the AASB approved a number of amendments to Australian Accounting Standards as a result of the annual improvements project. There is no material impact on the Group.	1st January 2016	1st January 2016
AASB 2015-2	*AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*	In January 2015, the AASB made various amendments to AASB 101 as part of the Disclosure Initiative which explores how financial statement disclosures can be improved. The amendments clarify guidance in AASB 101 on • materiality and aggregation, • presentation of subtotals, • structure of financial statements and • disclosure of accounting policies. The impact on the Group is unknown.	1st January 2016	1st January 2016
AASB 1057	*AASB 1057 Application of Australian Accounting Standards*	AASB 1057 moves the application paragraphs from individual standards to this new, separate standard. There is no material impact on the Group.	1st January 2016	1st January 2016
AASB 16	*AASB 16 Leases*	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The impact on the Group is material but unknown at this stage.	1st January 2019	At this stage, the group does not intend to adopt the standard before its operative date. 1st January 2019
AASB 2016-1	*AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of deferred tax assets for unrealised losses*	In February 2016, the AASB clarified the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. In particular, the AASB confirmed that in estimating future taxable profit, an entity can assume that it will recover assets for more than their carrying amount. The impact on the Group is unknown.	1st January 2017	1st January 2017
AASB 2016-2	*AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 107*	Following the amendments entities will need to explain changes in liabilities arising from financing activities, including changes as a result of cash flows and non-cash changes. The impact on the Group is unknown.	1st January 2017	1st January 2017

Independent auditor's report to the members of Wellard Limited

Report on the financial report

We have audited the accompanying financial report of Wellard Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, the statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Wellard Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(e), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's opinion

In our opinion:

(a) the financial report of Wellard Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(e).

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 1(c) in the financial report which indicates that the Group had a working capital deficiency of $110.3 million at 30 June 2016. The note comments on the ability of the Group to continue as a going concern being dependent on the Group having sufficient funds available to continue normal business operations and remedy banking covenant breaches.

These conditions, along with other matters as set forth in Note 1(c) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 15 to 25 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Wellard Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
30 September 2016